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Russian troops and tanks pour into Afghanistan

BY ALAIN CASS WHO YESTERDAY FLEW INTO KABUL

Russian troops, backed by heavy armour, were pouring into Kabul yesterday by road and air and fanning out across the country in what is increasingly taking on the character of a total invasion of Afghanistan.

I flew into Kabul with a number of Western correspondents on the Afghan national airline, Aryana, landing shortly before 10 am local time.

We were allowed to stay throughout the day until the order eventually came for us to be refused the usual one-week visa, and therefore effectively expelled.

Diplomats here confirmed that at least a further 11,000 of the 50,000 Russian soldiers deployed on the Soviet side have crossed the border into Afghanistan to reinforce the airborne forces which took control of the capital on Thursday night.

There are now 25,000-30,000 Soviet troops in Afghanistan. The scale of the operation leaves little doubt that the Soviet Union is prepared to throw its full weight into imposing its will on this rugged, tribal country of major strategic importance to the Russians.

They are clearly apprehensive of continuing Afghan resistance. It is hard at this stage to know whether their ultimaate goal is to incorporate Afghanistan into the Soviet Union or whether they envisage a temporary occupation to end the tribal rebellion and consolidate their hold on the country.

Large Soviet troop formations have crossed the frontier en route both from Kushka to Herat and from Tarmaz to both Kabul and Bagram.

Western journalists who arrived by air yesterday morning were later expelled at the orders of Soviet security, who appear to have taken over executive authority in the country.

Kabul is a city under occupation. The airport has effectively been turned into a major garrison. Yesterday it was alive with the movement of transport aircraft, dozens of helicopter gunships with rocket launchers, tanks and armoured personnel-carriers in their hundreds, milling around a small tented city put up to house the occupying forces.

Young Russian soldiers, many of whom were teenagers, looked exhausted and bewildered in an operation which, both in ruthlessness and speed, matched the 1968 invasion of Czechoslovakia.

All the troops I saw were European. But Western diplomats say that Uzbek and Turkmen soldiers from the Muslim Soviet republics of Central Asia are also being sent in. The Russians are presumably using these troops to identify with Muslim Afghans.

The U.S. said yesterday that it was prepared to defend Pakistan against any threat from Soviet troops in Afghanistan. The Soviet action brought protests from NATO, Western governments and Afghanistan's neighbours. Deputy foreign ministers from seven nations meet in London today to co-ordinate the West's response. Back Page

In the midst of this awesome display of a Soviet occupying force on the move a group of laughing soldiers filed past carrying a small Christmas Tree, no doubt to celebrate the Orthodox feast on January 6 away from home.

Throughout the day Soviet officials travelling in small red and white jets flew into Kabul, no doubt to strengthen Moscow's political pressure in the capital.

The city is teeming with T-62 Soviet tanks and half-track personnel-carriers. Many are dug in at key intersections, while others guard key government buildings, including the Presidential Palace, the post office and the radio station.

Columns of tanks and artillery, including 155mm cannon, were moving in convoy.

Round the city and out toward the Pakistan border, the Russians are establishing a defence perimeter, apparently to guard against potential attack from defecting Afghan Army units and tribal rebels.

The Russians clearly ran into some resistance when they invaded. It was claimed yesterday by Afghan Opposition leaders who had spoken to Western diplomats before going underground that an unknown number of Soviet troops were being held hostage at Kharga Barracks near Kabul by troops still loyal to the late President Hafizullah.

The same sources claimed that two important barracks surrendered to the Soviet forces only yesterday morning. This was confirmed by diplomats.

A number of Soviet troops were evidently killed in the brief but bloody battle which led to the coup on Thursday. There were also unconfirmed reports of hand-to-hand fighting in several towns, and that a power station at Jalalabad was destroyed by rebels.

Soviet detachments were also on their way yesterday to the province of Paktia, where major clashes have taken place

NEWS SUMMARY

GENERAL

Rhondda mounts flood clean-up

A major clean-up was being mounted yesterday in the Rhondda Valley, the area hit hardest by the worst flooding for 20 years in South Wales.

Damage was estimated at millions of pounds, and the Mayor of Rhondda, Mrs. Annie Powell, called for the district to be declared a disaster area and a special fund set up to help hundreds of uninsured families.

At Pangbourne, Berks., police divers were searching for the body of an eight-year-old boy who was swept away by the swollen River Thames on Saturday. Weather, Back Page; Inadequate flood prevention schemes, Page 3

Egyptian bases

Egypt will provide military facilities for U.S. troops to intervene in defence of Arab countries in the Gulf, President Sadat said in interviews with two magazines in Cairo. Page 3

747 inspections

The U.S. National Transportation and Safety Board has ordered checks on the engine mountings of Boeing 747s powered by Pratt and Whitney engines after the incident at Heathrow last Thursday. Delays not expected, Page 3

Prisoner caught

Glasgow police recaptured John McDuff, 37, one of two escapers from Perth Prison, after a three-week search. He was sentenced to 21 years in 1977 for his part in two armed robberies. William Manson, 40, serving a 12-year sentence, was still at large.

Rolls record

Rolls-Royce enters the 1980s with a record order book worth about £4bn. In the past two weeks, the company has won £140m worth of new orders for its RB-211 engines in Lockheed TriStars and Boeing 747s. News Analysis, Page 12

El Al agreement

A threatened shutdown today of Israel's airline El Al has been averted after pilots agreed to take a 40 per cent pay cut and ground crews promised not to strike for at least five years.

Candidate killed

Attackers with bombs and knives killed a West Bengal Labour Party candidate in the run-up to this week's Indian elections. Former Premier Indira Gandhi looks set to regain power with a landslide victory, according to a Delhi-based opinion poll.

Police 'dragnet'

Policemen skilled in judo and karate should dress as old women in an attempt to catch muggers, says psychologist Prof. L. F. Lowenstein in the Police Journal.

Briefly . . .

Vatican confirmed its suspension of controversial theologian Professor Hans Kueng, who has been stopped from teaching at Tuebingen University, after a meeting between the Pope and five West German prelates.

Heavy poll was reported in Somalia's first Parliamentary and local government elections for 10 years.

Roads between Rhodesia and Zambia are expected to re-open in days, bringing urgent food relief to Zambia, Page 2

We wish our readers a Happy New Year

The Financial Times will not be published on New Year's Day

BUSINESS

Kuwait lifts oil prices by 19%

● **KUWAIT** has raised its oil price by 19 per cent with retroactive effect from November 1, bringing the rate for its main crude variety to $25.50 a barrel. This puts Kuwait in the middle of the OPEC producer prices range. Back Page

● **ENERGY USE** for transport has risen 33 per cent in the last decade against a total increase in consumption of only 5 per cent, according to Government statistics. Page 3

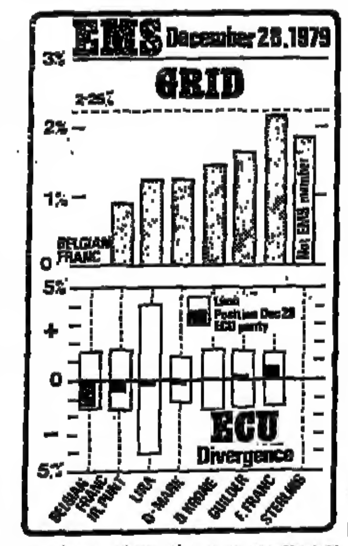
● **IRAN** has suspended contracts with foreign oil companies involved in offshore joint ventures, the head of the National Iranian Oil Company has announced. Page 2

● **EGYPT** has frozen about $2bn (£909m) of Arab deposits in retaliation for economic sanctions imposed by some other Arab States, according to Mr. Hamed Sayeh, the Economy Minister. Back Page

● **EMPLOYMENT** prospects in Britain continue to deteriorate according to Manpower, the work contracting agency. Page 3

● **INVESTORS** in gilt-edged stock expect interest rates to fall sharply next year, according to a survey by stockbrokers L. Messel. Page 3

● **CURRENCY TRADING** was very thin last week with the market mainly occupied by end-of-year book-squaring operations. Volume was further curtailed by Christmas closures in key financial centres. The French franc finished the week as the strongest member of the European Monetary System, followed by the Dutch guilder and the Danish krone. The week Irish punt improved on Friday, but remained the second weakest EMS currency, ahead of only the Belgian franc. Belgian currency, although at the bottom of the system, appeared to be under little pressure, but received some support from the Belgian National Bank



The charts show the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

● **PROPOSALS** in the Government's Employment Bill to restrict picketing could mean "the virtual demise of democratic trades unionism" said Sir John Boyd, general secretary of the Amalgamated Union of Engineering Workers. Back Page

● **LORRY DRIVERS** in the nationalised road freight companies have been offered a pay and productivity package providing slightly over 20 per cent rises. Page 3

COMPANIES

● **ITALSIDER**, the Italian State steel group, lost L205.2bn (£114.8m) in the first nine months of 1979. Page 16

● **MICHELIN TIRES** Canada. may build a third plant in Nova Scotia following changes in the Province's Trades Union Act. Page 16

CONTENTS

For latest Share Index phone 01-246 8026

ASLEF to black all steel imports

BY NICK GARNETT AND ROY HODSON

THE TRAIN DRIVERS' union, ASLEF, will instruct its members to black steel imports, together with the movement of finished products and raw materials to and from the British Steel Corporation. However, stocks are so high that major users of steel are expected to be able to continue production for six to eight weeks.

A special executive meeting of the union yesterday also agreed to instruct drivers not to move BSC steel in marshalling yards and terminals in support of the national steel strike, due to start on Wednesday.

Mr. Bill Sirs, general secretary of the Iron and Steel Trades' Confederation, the biggest steel union, was at yesterday's meeting. In line with his request, ASLEF will tell its members not to interfere with the movement of steel from private steel manufacturers.

This would help manufacturing industry to weather the strike, called in a dispute over pay. But it could cause some difficulties in differentiating BSC steel from privately-made steel.

Mr. Sirs said he would seek further co-operation from other unions against private steel manufacturers if they attempted to "cash in" in a shutdown of BSC.

BSC management and the general secretaries of the two principal unions in the dispute agreed last night to have separate meetings with the Advisory, Conciliation and Arbitration Service this afternoon.

ACAS made the request to see if there is any ground for attempting to get the two sides together. The ISTC and the Blastfurnacemen are far apart from BSC, however, following the collapse of negotiations on Friday, when the pay offer was marginally improved to 6 per cent, tied to productivity and manning reductions. The corporation says a further 10 per cent could be available through local productivity deals.

Mrs. Margaret Thatcher, the Prime Minister, yesterday rejected a request from Mr. James Callaghan, leader of the opposition, for an immediate recall of Parliament. She left open the possibility, however, that MPs might be recalled before January 14.

In a letter to Mr. Callaghan, Mrs. Thatcher said that while she shared his view about the gravity of the position, she did not think it would be helpful to recall Parliament.

The car industry and the can-makers, which together account for the high-volume usage of steel in Britain, will be able to maintain production at normal levels for up to six weeks. Other sectors of industry appear confident that they can do so for at least a month.

Steel-using industries have responded in the past three weeks to appeals from BSC to move steel products from mills to factories before the strike date. Nearly 5m tonnes of steel is held in factories and warehouses—sufficient for industry to work normally for at least six weeks and at reduced levels for up to 18 weeks.

The impact of the strike will be affected by the co-operation the steel unions receive from transport unions.

The National Union of Railwaymen has already instructed its members not to move any raw material or steel to and from BSC, and its dock members not to handle imported steel.

The ASLEF decision appears to be broader and firmer, although it was unclear what the drivers' union instruction to its members will be on the handling of imports specifically for private steel manufacturers.

Mr. Sirs said his union would mount official pickets wherever

Continued on Back Page
Editorial Comment. Page 10
Steel stocks build-up. Page 3

Chancellor's New Year Message

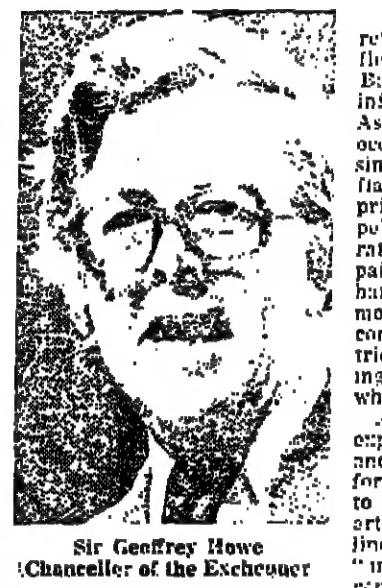
Setting out on right road

I SHOULD like to be able to write my first New Year message as Chancellor against a more cheerful background. Looking back, 1979 has hardly been the easiest year for a new Government to take office.

We inherited an economy demoralised by inflation and inflexible and unresponsive to change. People were disheartened by high taxation, with initiative and effort undervalued, and the workings of the market frustrated by ill-judged interference by governments over many years.

But it was clear to the Government what had to be done. Inflation had to be attacked at its roots, public spending and borrowing and the money supply brought under control, and incentives improved by shifting the balance of taxation. Hence my Budget, which cut public spending, set a tighter monetary target, made the largest ever reduction in income tax, and set about removing some of the controls that have been strangling the economy. We have now completely removed controls on prices, dividends and foreign exchange transactions. And we have shown that we are not afraid to take further steps that may be unpopular but are necessary to keep us on the right economic path.

So though the background to 1979 was gloomy, I am confident that 1980 will see us on the right road. And in the longer-term I am sure we shall see a climate that is more hospitable to enterprise, with fresh opportunities for firms and individuals in the City, in manufacturing and throughout the economy, to innovate and invest and create wealth for themselves and the country at large.



Sir Geoffrey Howe
(Chancellor of the Exchequer

Of course we cannot change the climate overnight and in this context improvements in industrial relations are vital. Trade unions must protect the interests of their members. But I think everyone agrees there has been an excessive shift in the balance of power both from management to unions, and often to militants within unions, which has not really helped them to do this. Indeed, in many cases it has damaged the economy on which their ultimate welfare depends. The measures in the Employment Bill now before Parliament will help to adjust the balance. I believe they have the support of the public, and of the majority of the members of the unions themselves.

All these policies will help retrieve the balance and flexibility the economy has lost. But the need to bring down inflation remains paramount. As I have made clear on many occasions, the Government will simply not accommodate inflationary pay increases by printing money. But our policies will bring down the rate of inflation faster and less painfully if pay negotiators bargain responsibly and moderately, taking account of conditions in their own industries and firms rather than looking over their shoulders at what is going on elsewhere.

At a time when inflationary expectations still remain high, and both management and work forces have grown unaccustomed to bargaining without the artificial restraints and guidelines of Government-imposed "income policies" this demands courage and persistence. But I believe there are already encouraging signs that a new realism and enlightened self-interest are beginning to prevail. If they do not there will be unnecessary bankruptcies and unemployment and a slower economic recovery than we all want.

We have had a difficult year, and daunting difficulties still remain. This makes it all the more necessary to continue the policies I have described: if we are to bring about a lasting improvement in economic performance there is no realistic alternative, and I am confident that they will lead to success.

Economic forecasts. Page 3
New Year messages. Pages 8 and 9
Leaders set for economic battles. Back Page

Soames orders border patrols

BY QUENTIN PEEL IN SALISBURY

LORD SOAMES, the British Governor of Rhodesia, yesterday ordered Rhodesian security force units to patrol the country's frontiers to prevent widespread guerrilla infiltration in the first major upset to the fledgling ceasefire.

His decision coincided with the first political bombshell of the election campaign, when Mr. Robert Mugabe's ZANU wing of the Patriotic Front guerrilla alliance announced that it would be fighting the forthcoming election alone, and not united with Mr. Joshua Nkomo's ZAPU wing.

The announcement could have a major effect on the outcome of the election, and on any future alliance formed to create the first Government of an independent Zimbabwe.

Lord Soames's move to allow the Rhodesian forces to deploy away from their bases—although only in small units—less than 48 hours after the beginning of the ceasefire followed a Rhodesian claim that some 600 to 700 guerrillas had crossed the Mozambique border, in spite of the commitment that all such infiltration should cease.

Spokesmen for the Commonwealth ceasefire monitoring force and the ceasefire commission still maintained that they were "encouraged" by progress with the ceasefire.

About 600 guerrillas had checked into assembly areas and rendezvous points across the country, and contact with large groups had been made in several areas. There are an estimated 20,000 guerrillas who have to assemble before Friday night.

The Rhodesian security forces claimed several ceasefire "violations" by guerrillas, including attacks on farm compounds, and infiltration on both sides of the country.

They also confirmed that a 63-year-old white man had been ambushed, and a bus carrying black passengers hit with a rocket.

ZANU's announcement that the Patriotic Front would not fight on a common platform, but in a very loose alliance, was made at a huge rally in the Highfield township outside Salisbury by Mr. Enos Nkala, the most senior ZANU official in the country.

The crowd, estimated at more than 50,000, the largest show of political support since the signing of the ceasefire, gave a huge cheer to the decision.

Continued on Back Page

Sir Kenneth Keith is life peer

BY ELINOR GOODMAN, LOBBY STAFF

SIR KENNETH KEITH, retiring chairman of Rolls-Royce and the man at the centre of the row over the company's future relations with the National Enterprise Board, is one of six life peers created in the New Year's Honours published today.

The list also includes the first awards for political service since Mr. Heath left office in 1974, with 50 Conservatives receiving political honours—including Lord Thorneycroft, the Party chairman, who is made a Companion of Honour—and six Liberals.

Sir Kenneth, who went to Rolls-Royce in 1972 shortly after the Government rescued the company, is one of a number of prominent industrialists to receive awards. Sir Marcus Sieff, chairman of Marks and Spencer, and Sir Edwin McAlpine, partner in Sir Robert McAlpine and Sons, are both made life peers while Mr. John Sainsbury, chairman of J. Sainsbury, Mr. Austin Bide, chairman and chief executive of Glaxo Holdings, and Mr. Kenneth Corfield, chairman of Standard Telephones and Cables receive knighthoods.

Mr. Robert Clayton, the technical director of the General Electric Company, whose appointment to the National Enterprise Board led to criticism from some Labour back benchers because of GEC's own involvement in the micro-chip industry, is also made a knight. Completing the list of six knights from industry are Mr. Roy Sisson, the executive chairman of Smiths Industries, and Mr. Eric Weiss, president of Foseco Minsep.

The list also includes a number of honours for senior civil servants, with Sir John Hunt, until recently the Secretary to the Cabinet, becoming a life peer, and Sir Douglas Wass, the Permanent Secretary at the Treasury, becoming a Knight Grand of the Order of aBth.

When Mrs. Thatcher announced in November that she intended to bring back awards for political service, Mr. Callaghan said he would not put forward any nominations.

As under previous Conservative Governments, most of the political awards go to local party workers. A handful of long-serving backbenchers are rewarded with knighthoods. This year, four Tory MPs—all to the right of the centre of the party—are made knights. They are Mr. Ronald Bell; Mr. William Clark, chairman of the Tory finance committee of backbenchers; Mr. Walter Clegg, Treasurer of the 1922 Committee; and Mr. Graham Page.

The arts this year are represented by Mr. Alfred Hitchcock, the veteran director of suspense films, and Mr. Colin Davis, music director of the Royal Opera Covent Garden, who both get knighthoods. Cliff Richard, the pop singer, receives an OBE.

Mr. John Junor, Editor of the Sunday Express, is made a Knight, while Mr. Norris McWhirter, the author of the Guinness Book of Records, whose twin brother was killed in a terrorist attack, gets the CBE.

The other life peerages are awarded to Mrs. Jean Barker, a former mayor of Cambridge, and Lord Emslie, the Lord Justice-General of Scotland and Lord President of the Court of Session.

Honours List Page 9
Men and Matters Page 10

OVERSEAS NEWS

UN agreement sought on Waldheim's Iran mission

BY OUR UNITED NATIONS CORRESPONDENT IN NEW YORK

MEMBERS OF the Security Council tried to reach agreement *yesterday on a resolution to* send Dr. Kurt Waldheim, the United Nations Secretary-General, to Tehran. His mission would be to seek the release of *the U.S. hostages in direct talks* with Ayatollah Khomeini.

Despite reports that the militant students who have been holding the hostages since *November 4 would oppose a* visit by Dr. Waldheim, UN diplomats said they expected that the Iranian authorities would invite him. If so, it might *be the first real break in the* crisis. In the UN it is hoped that Dr. Waldheim might be in Tehran before the end of the week.

However, prospects for such a visit have hindered U.S. efforts to obtain support for a Security Council resolution to impose sanctions against Iran. Even those countries which voiced support for the move—a minority so far—appear to wish to delay consideration of punitive measures until the Iranians have had a chance to respond to a new initiative by the Secretary-General.

Mr. Cyrus Vance, the U.S. Secretary of State, who opened the council debate on Saturday *night, said the U.S. wanted the* world body to condemn Iran's failure to release the hostages and to request Dr. Waldheim to intensify his personal efforts.

If the hostages had not been released by a specified early date, then the council should adopt sanctions under appropriate provisions of the UN Charter, Mr. Vance said.

Jurek Martin adds from Washington: According to Dr. Zbigniew Brzezinski, President Carter's National Security Adviser, the Soviet invasion of Afghanistan should be a compelling reason for Iran to release its U.S. hostages.

In a television interview, Dr. Brzezinski claimed yesterday that "every sober-headed Iranian," even those with anti-American sentiments, should be asking themselves what events in Kabul mean for Tehran and should realise, as he put is, that "Tehran could be next."

Dr. Brzezinski denied repeatedly *that the U.S. had* postponed its attempt to impose economic sanctions against Iran because it was unable to win support for such a move from *the necesary minimum of nine* members of the Security Council.

The two-stage approach now being formulated in New York under the direction of Mr. Vance, whereby Dr. Waldheim would make a further attempt at negotiation with the Iranian authorities to be followed, only if he failed, by invocation of sanctions, was desirable to give all parties time for reflection.

Simon Henderson reports from Tehran: The possibility of a visit by Dr. Waldheim was due to be discussed by the ruling Revolutionary Council in Tehran last night.

It seems he might have a reasonable reception because the initiative has not been condemned out of hand. To some extent the ground seems to have *been prepared by the visit last* week of Mr. Agha Shahi, a Pakistani envoy who is also the UN's resident representative in Tehran.

Iran will not welcome any deadline for the release of the hostages.

Indian poll candidate killed

ATTACKERS armed with bombs and knives have killed a national election candidate in West Bengal state, Reuter reports from New Delhi.

Mr. Hrishikesh Pyne, a Labour Party candidate for *this week's poll, was killed* **at his election office in the Serampore consitutency, the agency added. Four men were arrested.**

The Serampore election—one of 42 in the state—was immediately cancelled. Mr. Pyne is the fourth victim of election violence within a week. Earlier, two people were shot dead in a gun battle in northern Uttar Pradesh, and another was killed in West Bengal.

Mr. Charan Singh, India's caretaker *Prime Minister*, yesterday threatened to nationalise privately run industries if his Lokh Dal (People's Party) won the elections, AP-DJ *adds*.

Mr. Jagjivan Ram, leader of the opposition Janata Party, warned Indians against voting for Mrs. Indira Gandhi's Congress (I) Party.

Mafia swoop

Italian police arrested 54 suspected members of the Calab*rian Mafia at the weekend,* Paul Betts reports from Rome. For many years, the Mafia has been active in the industrial North, and is believed to have *been responsible for many* kidnappings. It is also believed to have carried out 84 killings this year.

Philippine arrests

Fifteen people, including two businessmen, have been arrested on suspicion of plotting to blow up public build*ings in the Philippines* as part of a terror campaign, police said yesterday, Reuter reports from Manila. Brigadier-General Prospero Olivas alleged that the group was responsible for fire-bombing at least three hotels and a floating casino.

China grain record

China's grain harvest set another record this year with production estimated at more than 315m. tonnes, an increase of more than 10m tonnes over last year, Reuter reports from Peking. Peasants are now being paid for their work and private plots have been reintroduced, encour*aging workers to increase* output and earn more.

Sadat says U.S. can use Egyptian bases

BY ROGER MATTHEWS IN CAIRO

EGYPT WILL provide military facilities for U.S. troops to intervene in defence of Arab countries in the Gulf, President Anwar Sadat said in interviews published here yesterday by Al-Ahram and October magazine.

Before Christmas the U.S. Defence Department dispatched a *mission* to Saudi Arabia, Oman, Somalia and Kenya to see if U.S. forces could use bases there in times of crisis. It is not known whether Egypt was consulted.

President Sadat has always insisted in the past that no foreign troops could be based on Egyptian soil and it is still unclear to what extent he has modified *this* position. But by making public his offer to the U.S. Mr. Sadat is going further than he has done before and is also voicing his deep concern *over Soviet involvement in the* Middle East

The Egyptian leader also has in mind the $3.5bn in further military credits which he is hoping for from the U.S. to add to the $1.5bn deal already agreed. Mr. Sadat clearly believes that the Soviet action in Afghanistan will add further weight to his argument. Egypt has strongly condemned the Soviet move.

In making his offer to the U.S., Mr. Sadat said it was self-evident that the Gulf States were incapable of defending themselves. They had neither roots nor depth, he said, and the attack on the Great Mosque in Mecca last month had severely shaken the Saudi Royal Family.

These countries, he added, were facing both external and internal threats. When compared to Egypt they were, in fact, better described not as States but as "entities," Mr. *Sadat said. He accused them of* impotence and incapable of doing anything but trying to act against Egypt.

Abuse of Egypt was the only *thing the Arab League seemed* able to agree on and even the so-called "rejectionist" States were now rejecting one another.

This new wave of anti-Arab *bitterness from Mr. Sadat may* have been, in part, prompted by the likelihood that Sudan is going to break off diplomatic relations with Egypt. Sudan, together with Somalia and Oman, did not withdraw its Ambassador after the Arab decision to impose a political and economic boycott on Egypt for signing the peace treaty with Israel, but it is now believed to be on the point of doing so.

Second postponement for Eilon Moreh settlers

BY DAVID LENNON IN TEL AVIV

ISRAEL'S Cabinet has once again postponed the evacuation of the controversial Eilon Moreh *settlement near Nablus* on the occupied West Bank of the Jordan. The settlement was due to be dismantled on Thursday in accordance with a Supreme Court ruling that the land had been seized illegally by the military authorities.

The Cabinet Secretary said yesterday that it was necessary to delay the move again because a new settlement being built for the settlers would not be ready in time. He said that heavy rain had delayed construction.

The Cabinet agreed to a *further five-week postponement*. However, the militant settlers at Eilon Moreh greeted yesterday's decision as an indication that the Government would not force them to leave their makeshift village, which has been the subject of much criticism in Israel and abroad.

The Supreme Court ruled in *October that the site must be* evacuated within a month, but in November the Government allowed a stay of execution to enable a new site to be prepared. *At the time, there was* doubt about the Government's willingness to confront the settlers, who refused to move peacefully. The second extension of the deadline casts further doubt on the Government's determination.

Mr. Shmuel Tamir, the Justice Minister, said after the Cabinet meeting yesterday that he had voted against the extension, bcause the settlers "are on land which does not belong to them, and they are there as trespassers." The original six-*week extension should have* been enough.

EUROPEAN OPTIONS EXCHANGE

Series		Jan. Vol.	Jan. Last	April Vol.	April Last	July Vol.	July Last	Stock
ABN C	F.320	—	—	1	13.50	—	—	F.322
ABN C	F.330	10	0.50	2	5.50	—	—	"
ABN C	F.350	—	—	2	1.80	—	—	"
AKZ C	F.22.50	—	—	14	3.20	—	—	F.23.90
AKZ C	F.25	10	0.50	30	1.60	72	2.30	"
AKZ C	F.27.50	14	0.10	2	0.80	—	—	"
AKZ C	F.30	—	—	6	0.30	100	0.70	"
AKZ P	F.25	20	1.40	5	1.60	—	—	"
ARB C	F.70	—	—	—	—	5	2.60	F.67.30
CSF C	F.440	—	—	2	27.80	—	—	F.450
HO C	F.20	—	—	—	—	1	4.20	F.21.10
HO C	F.22.50	—	—	—	—	11	2.50	"
IBM C	$65	—	—	1	4⅝	—	—	$64¾
KLM C	F.80	28	0.60	7	3.60	—	—	F.73.60
KLM C	F.90	—	—	12	1.20	—	—	"
KLM C	F.100	—	—	2	0.70	—	—	"
KLM P	F.70	—	—	3	3.80	—	—	"
KLM P	F.80	2	6.70	—	—	—	—	"
KLM P	F.90	—	—	1	16.50	—	—	"
NN C	F.120	6	2.20	15	6.30	—	—	F.119.70
NN C	F.125	—	—	10	3.40	—	—	"
PET C	Fr.5000	—	—	2	800	—	—	Fr.5640
PET C	Fr.5500	—	—	3	480	—	—	"
PET C	Fr.6000	5	60	6	230	—	—	"
PHI C	F.20	60	1.30	292	2.10	108	2.40	F.21.10
PHI C	F.22.50	—	—	125	0.90	193	1.10	"
PHI C	F.25	—	—	—	—	68	0.50	"
PHI P	F.22.50	—	—	15	1.50	2	1.90	"
PHI P	F.25	20	4	—	—	—	—	"
PRD C	$30	2	½	—	—	—	—	$27⅝
RD C	F.145	20	6	—	—	—	—	F.149.20
RD C	F.150	86	3.50	25	8	—	—	"
RD C	F.160	120	0.40	105	3.50	30	4.50	"
RD P	F.145	15	0.40	—	—	—	—	"
RD P	F.150	16	2.90	2	3.80	—	—	"
UNI C	F.120	—	—	5	4	3	4.80	"
UNI C	F.125	—	—	—	—	2	2.80	"
UNI C	F.130	—	—	50	0.80	—	—	"
XON C	$55	25	1⅞	—	—	—	—	$55⅛
XON C	$60	25	⅛	—	—	—	—	"
		Feb.		May		Aug.		
BA C	$50	2	2⅝	—	—	—	—	$60½
OXY C	$25	1	3⅝	—	—	—	—	$27½
OXY C	$30	—	—	—	—	3	3¼	"
SLB C	$100	—	—	6	7	—	—	$94¼
TOTAL VOLUME IN CONTRACTS						1814		

C=Call P=Put

Uneasy truce grips Umtali

By Mark Webster in Umtali

AN UNEASY truce gripped the Rhodesian border with Mozambique as the ceasefire moved into its second day yesterday.

On the first day, only five breaches of the ceasefire were reported in the operational area code-named Thrasher, which covers some of the most *difficult ground between the* two countries. In the week before Christmas, 30 to 40 incidents occurred every day.

But yesterday, Lord Soames, the British Governor, *ordered* Rhodesian troops to the border area, to halt a large infiltration of guerrillas.

Earlier, Lieutenant-Colonel *Willy Rous,* who is responsible for monitoring the Rhodesian army in the area, found that he had to use maximum persuasion to stop the troops leaping on the first supposed breach of the ceasefire when 600-700 guerrillas were sighted near the Mozambique border. It took a lot of persuasion to prevent the security forces from moving in to attack them immediately.

Dangerous

But whatever happens, life continues much as before for the people of Umtali, the biggest town on the eastern border.

Set in a valley among lush green vegetation and rolling hills, Umtali is one of the most attractive towns in Rhodesia. Since Mr. Robert Mugabe's forces stepped up their cross-border activity from Mozambique, it has also been one of the most dangerous.

In the town, whites come on shopping trips heavily armed. Everyone is searched before going into hotels and even shops and army vehicles are *everywhere, although the* monitoring force is now more evident than the Rhodesian security forces.

Important

The ceasefire has brought important changes. It is now possible to look out from the Forbes border post, near the *city, to the distant towns of* Mozambique. Rhodesian border police say considerable movement is now taking place on the Mozambiquan *side. For several days,* Mozambiquan officials had been seen apparently checking facilities, in order to open the border as soon as possible.

On Saturday morning a Mozambiquan official wandered over to warn the Rhodesians that his colleagues were about to explode a couple of landmines near the railway.

The railway is in good condition on the Rhodesian side of the border, but a section of the track has reportedly been ripped up inside Mozambique. However, the Rhodesians say the road link could open again almost *immediately*.

Apprehension

The nearest rendezvous point for the Patriotic Front is 35 miles from the town, but among both the black and white communities, there is great apprehension about their return.

Umtali's white community seems genuinely surprised at the support for the Patriotic Front. Many of them had believed that, when it came *to an election, the Front* would never get enough support to form a government. They are not so sure now.

A white tobacco-estate manager said: "I just can't see those guys staying where they are for two months—in their assembly places—until the election. I certainly don't see them standing by and watching, if someone else wins the election."

The black manager of the brewery in Sakubva township on the outskirts of Umtali said: "We are obviously happy to see these boys come back. But people want to see what they are going to do, before making up their minds who they will vote for."

Suspicious

The success of the ceasefire is likely to depend ultimately on the trust which the Commonwealth monitoring force can achieve with both the Patriotic Front and the Rhodesian security forces. At the Umtali base, the British colonels in charge of monitoring the two sides readily admit they had under-estimated the problems.

Lt.-Col. Vivian Ridley, who is responsible for monitoring the guerrilla forces, has found them even more suspicious than predicted. At one stage, nearly 100 had gathered outside a rendezvous point, unwilling to come in until they had received the food and clothing they had been promised.

By yesterday morning, no guerrillas had actually checked into any of the rendezvous points and assembly places in the Thrasher area.

Military will be excluded from Lisbon Cabinet

By Our Lisbon Correspondent

THE LEADER of Portugal's Social Democrats, Dr. Francisco Sa Carneiro, is due to meet President Ramalho Eanes today to seek approval for his 15-man Cabinet. The new Prime Minister and his team will be sworn in on Thursday.

Dr. Sa Carneiro, 45, a northern lawyer who founded the Social Democratic Party, is proposing a Cabinet which will exclude military figures for the first time since the 1974 Revolution. This move is in accord with his aim of eliminating the armed forces from any political role.

The Government alliance of Social Democrats, Christian Democrats, Monarchists, and ex-Socialists will be Portugal's first majority administration since democracy was restored five *years ago. It has promised to* carry out economic and social reforms.

The Government will have only a limited life, however, *because Portugal's constitution* requires that another national election should be held next autumn. If Dr. Sa Carneiro's alliance is successful at that *time it could govern for a full* five-year parliamentary term.

WORLD TRADE NEWS

Quentin Peel in Salisbury looks at Rhodesian trade route prospects

Linking up after the fighting

ROAD ROUTES between Rhodesia and Zambia are expected to reopen within a matter of days, bringing urgent food relief to Zambia, following top level Goverument discussions last week. Rhodesian officials are also expected to fly to Maputo, the Mozambique capital, this week for talks on restarting rail and air links.

Final normalisation of transport links within southern Africa is nevertheless likely to be delayed many months because of war damage, and the continuing uncertain security situation, including in both Mozambique and Angola. In spite of the decision by Zambia and Mozambique to lift sanctions again Rhodesia.

Immediate benefits of opening the borders will go to Zambia, *Malawi and Mozambique, all of* who have been badly affected by the dislocation of the regional transport system. But Rhodesia will benefit in the longer term, both from the relief of congestion on its rail routes through South Africa, and from the reopening of markets for its exports in the neighbouring states.

The most critically affected country is Zambia, which needs to import some 300,000 tonnes of maize, as well as other foodstuffs and general cargo, to offset a *disastrous shortfall in its own* harvest. The quantities are well beyond the current capacity of the railway lines across Victoria Falls, the only significant route *now open.*

Malawi has also been badly hit, both by bombing of the railway line north from Beira Harbour in Mozambique, and the sinking of the Kazungula ferry across the Zambezi between Botswana and Zambia, which carried vital goods including heavy machinery. In recent weeks, fuel supplies have had to be uplifted to Blantyre.

Mozambique has suffered from both the loss of foreign exchange paid by Rhodesia when the ports of Beira and Maputo were *that country's major out*lets, and from dislocation of its own communications, which depended in part on transit through Rhodesia.

Of the three main road routes between Rhodesia and Zambia, the most important, via Chirundu, is likely to take the longest to open. Rhodesian and Zambian officials held their first meeting on the Bridge there, which carries the main Salisbury-Lusaka road, on Friday, to inspect the bridge for damage. In addition, there are no customs posts there, although it is understood that Zambia has already started building one. Informed sources in Salisbury say the bridge might be opened in several weeks unless the damage is more serious than it appears.

The road bridge at Victoria Falls also needs surface repairs, but latest estimates put the repair time at two to four weeks, and a meeting is to be held there today. The one crossing which could be opened virtually immediately is the road over the Kariba Dam wall, but there the Rhodesians are keen to restrict traffic until they are sure it will not attract guerrilla attacks on the vital dam.

The first route to Malawi is expected to be an air link, and Mozambique has already agreed to over-flying rights. The road through Tete from Salisbury to Blantyre was also an important trade link before it was cut, used by up to 25 pantechnicons a week, but security in the area is considered uncertain by shippers, because of the activities of anti-*Frelimo saboteurs.* Security could improve if the Rhodesian settlement lasts because the saboteurs have enjoyed considerable support from the Rhodesian security forces.

The Mozambique Government is itself keen to re-open routes from Rhodesia as quickly as possible. Dr. Arminda Brito, commercial director of Mozambique Railways, said last week the first commercial flight would have landed in Salisbury yesterday, while the first train could leave Machipanda for Umtali on January 1.

That aim is certainly over-optimistic, because there has so far been no contact between transport officials in the two countries. However, Rhodesian officials are planning to fly to Maputo for talks as soon as possible.

The rail route which can be reopened quickly is from Umtali to Beira, which requires only minor track laying across the border from Machipanda. The other major rail link, from Malvernia to Maputo, is likely to be out of action for at least a year because of the destruction of bridges, including the Limpopo barrage, by the Rhodesian security forces.

Beira is not only a key route for Rhodesian exporters, but could also carry Zambian copper. However, the harbour is badly silted up, and some dredgers are reported to have been sunk by saboteurs. Estimated capacity is only one-third of the 300,000 tonnes a month it used to handle. Moreover, the combination of traffic for Malawi, Zambia and Rhodesia seems certain to put an early strain on its resources.

The importance for Rhodesia of the Mozambique routes is that they should greatly cut freight costs, and relieve the periodic congestion on the South African rail routes. Large stockpiles, particularly of minerals such as chrome, have built up in Rhodesia because of transport problems. In spite of the Malvernia link being out of action, Rhodesia could still use Maputo for bulk traffic by railing through South Africa to Komatipoort.

However, the most immediate relief in Rhodesia's transport *problems would come from a* let-up in the war, which would allow the railways to operate at night. In addition, attacks on locomotives and the railway lines have undoubtedly disrupted traffic movements, as has emigration and the call-up of skilled manpower.

In the immediate future, the greatest urgency in reopening the borders is being shown by Rhodesia's neighbours, and there is some suspicion that Salisbury may not hurry to help them.

"We are almost indifferent now, it is of little immediate concern," a senior Rhodesian official admitted last week. "But we want to pull our weight."

Hong Kong deficit narrows

By Philip Bowring in Hong Kong

HONG KONG'S trade deficit in November narrowed to HK$893m (£82.53m) compared with HK$1.18bn (£109m) the previous month and HK$1.24bn (£115m) for the same month last year.

So far the deficit this year is HK$9.08bn, up HK$1.25bn from the same period of 1978, but suggesting a deficit for the full year of well under the HK$12bn predicted earlier.

Total exports have **continued to sustain rapid growth with expansion in the first 11 months of 41.6 per cent to HK$68.46bn compared with imports which have risen only 37.9 per cent to HK$77.54bn. However concern remains that the visible trade gap is still well above what is sustainable over a significant period. With two out of three of Hong Kong's major markets, the U.S. and UK. entering a recession there is believed to be little or no scope for export growth without a sharp weakening of the currency.**

The value of the Hong Kong dollar has recently been sustained by heavy capital inflow, ***a significant part of which has*** **been through the banking system. This inflow has been feeding excessive money and credit growth, and the property boom in particular.**

Shanghai sets up company to boost foreign trade

BY TONY WALKER IN PEKING

SHANGHAI, China's largest and leading industrial city, has set up a trade corporation to deal with foreign businessmen. It will also act for other provinces and cities.

The new foreign trade cor*poration will be allowed to* negotiate directly with foreign companies and sign contracts. It will arrange sales, exhibitions and commission sales for foreign companies as well as handle maintenance of their machinery and electronic equipments.

The new arrangement is expected to lessen Peking's bureaucratic involvement in Shanghai's trade dealings and should also assist overseas businessmen selling goods in Shanghai and the surrounding areas.

Meanwhile the New China *News Agency* reports that Shanghai has set a new export record for 1979 with an expected increase of 24 per cent over last year. Big increases have been *registered* in exports of textiles and other consumer goods.

• The People's Bank of China has announced that it is to release Yuan 2bn ($1.3bn) in loans next year for the expansion of China's light industries.

Li Bauhua, the bank president, said the loan allocation was in line with China's economic readjustment policy which gives priority to light industries.

The loans, repayable over three to five years, will be used to modernise textile mills and light industrial plants. The proportion of state investment in these industries will be higher in 1980 than this year. China is looking for higher quality materials and increased exports as a result.

AP-DJ adds from Hong Kong: China is to float shares to attract foreign capital for developing Fujian province in south-east China. China's domestic news agency reports that shares of the Fujian Investment Corporation will be floated in *1980 to help boost the province's* foreign trade.

The corporation was formed early this year to boost exports, promote joint ventures with *foreign businessmen and handle* distribution of goods within the province. Its capital has never been disclosed and no further details regarding share issue have been disclosed.

However the shares are likely to be issued to overseas Chinese residing in south-east Asia where there is a large concentration of Chinese from Fujian province. Share subscribers will be given priority in set up joint ventures and enjoy other trade facilities.

Record Korean ship orders

SEOUL — Despite a global shipbuilding slump, South Korea has received a record $813m in export orders this year. The Commerce and Industry Ministry said the orders were for 50 ships with a record combined tonnage of 1.04m gross tons, AP-DJ reports.

This was the best performance for South Korea since 1972 when the nation began to ***develop shipbuilding*** **as a major export industry. It also showed a significant recovery from last year when South Korean shipyards received export orders for 56 ships with a combined tonnage of 351,000 tons and with a contract value of $272.5m, the Ministry said.**

The recovery is attributed to a reduction of shipbuilding capacities in other countries due to shutdown and also a rising demand for economic types of ships

SHIPPING REPORT

Tanker outlook improves

By Our Shipping Correspondent

AFTER SEVERAL years in the doldrums, the world's tanker fleet should fare considerably better in 1980, according to Liverpool stockbrokers Tilney and Co.

The supply and demand for *tankers should be roughly in* balance in 1980

As evidence of the underlying improvement in the tanker market, the firm cites the rapid decline of the laid-up tanker fleet from 53m dwt in July, 1978, to 10m dwt. at present.

In addition, the increase in the world's new building backlog from 15½m to 22½m tons reflects growing confidence in tankers, and VLCC rates have recovered from less than Worldscale 30 to Worldscale 50-60.

The main reason for the recovery is that tankers are being forced to sail more slowly to save fuel. This means that something like 40m dwt of extra tanker tonnage is needed to transport the same amount of oil as before.

World Tanker Prospects 1980-1983; Tilney and Co., Stockbrokers. Liverpool; £90.

Iran suspends five offshore contracts

BY SIMON HENDERSON IN TEHRAN

CONTRACTS BETWEEN Iran and foreign oil companies involved in four offshore joint ventures and one offshore service contract have been officially suspended, according to Mr. Ali Akbar Moinfar, head of the National Iranian Oil Company.

The statement, in an interview with a Tehran newspaper, finally resolved the status of these operations which has been unclear since the February revolution. Then, the agreement with the Western Oil consortium which produced oil from Iran's Khuzestan Province was abrogated, but the offshore production agreements were left alone.

Together, the offshore fields produce 400,000 b/d. Iran's total production is about 3.5m b/d of which all but 700,000 is available for export.

Mr. Moinfar said that because of the suspension of the contracts, all made on a 50/50 basis, Iran would no longer be placing the oil from the offshore wells at the disposal of the foreign companies. It would be sold directly to oil customers.

The foreign companies affected are: the Italian AGI, which operated the SIRIP concession and off the Oman coast: the American Amoco, which has four fields in the IPAC concession; the Italian AGIP, the American Phillips Petroleum, and the Oil and Natural Gas Commission of India, which together operated the IMINOCO concession, of Kharg Island; the American companies Atlantic Richfield, Murphy, Sun and Union, which operated the LAPCO *offshore concession.*

The service contract, in which the Japanese Mitsubishi and the French Elf-Aquitaine were involved, operated the *SOFIRAN concession off Sirri* Island where an oil terminal is just being completed by Turriff Taylor of Britain.

World Economic Indicators

RETAIL PRICES

	Nov.'79	Oct.'79	Sept.'79	Nov.'78	% change over previous year	Index base year
U.K.	237.7	235.6	233.2	202.5	+17.3	1974=100
W. Germany	111.8	111.2	110.9	106.5	+ 5.0	1976=100
Italy	164.4	162.3	158.6	138.5	+18.7	1976=100
Holland	128.2	128.0	127.1	122.6	+ 4.6	1975=100
	Oct.'79	Sept.'79	Aug.'79	Oct.'78		
U.S.	225.4	223.4	222.1	200.9	+12.1	1967=100
France	229.0	226.3	224.4	205.7	+11.3	1970=100
	Sept.'78	Aug.'79	July '79	Sept.'78		
Belgium	134.7	134.5	133.8	128.8	+ 4.6	1976=100
	Aug.'79	July '79	June '79	Aug.'78		
Japan	126.9	128.2	127.1	123.1	+ 3.1	1975=100

Mitsubishi TV move

TOKYO—Mitsubishi Electric is hoping to double production of colour TV sets in the U.S. to about 240,000 units a year by 1981. A spokesman said Mitsubishi is planning to improve production facilities at its Arbine, California, plant where colour TV production began in March, 1977. The plant is Mitsubishi's only colour TV production facility in the U.S.

The expansion is designed to increase the company's market share in the U.S., which the spokesman called "negligible" at present.

Major Japanese manufacturers, including Toshiba, Sony Sharp and Hitachi, all manufacture colour TVs in the U.S.. Their total output is believed to be about 3m units a year, almost equal to the volume of Japan's peak exports in 1976, of 2.95m units.

As local production in the U.S. has increased, exports have declined sharply, to about 700,000 units a year at present —about half of the previous year's total—according to industry officials. It will be the third consecutive year in which exports to the U.S. have declined.

AP-DJ

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Checks may not delay Jumbos

By Michael Donne, Aerospace Correspondent

BOEING 747 Jumbo jet flights are not expected to be delayed today as a result of checks being made on the engine mountings of all 747s powered by American Pratt and Whitney JT9D engines.

There are 340 Pratt and Whitney powered aircraft in service with more than 40 operators, out of a total Jumbo jet fleet of more than 400.

British Airways has 19 Pratt and Whitney-powered 747s. Its remaining eight aircraft use Rolls-Royce engines which are not affected by the checks.

British Airways said yesterday it hoped to complete its 747 checks by tonight.

The checks were ordered by the U.S. Federal Aviation Administration and the National Transportation Safety Board, after an incident at Heathrow last Thursday when an outer engine on a Pan American cargo 747 came loose

An investigation by officials of the Department of Trade's Accidents Investigation branch showed there had been a failure in the engine pylon mounting.

Steel build-up may block hopes of short, sharp strike

BY ROY HODSON

THE STEEL UNIONS' hopes of achieving their pay objective by a short, sharp strike starting on Wednesday are unlikely to be realised.

The recent pattern of steel trading and production has resulted in a big build-up in steel stocks and creation of a most unfavourable climate for a successful steel strike in the first weeks of 1980.

Stocks of finished steel products suitable for transformation at factories stand at nearly 5m tonnes.

Average industrial consumption is about 300,000 tonnes a week, so available stocks could, theoretically, keep industry in production for 16 to 18 weeks.

Shortages

Shortages of particular types and sizes of steel products would appear much more quickly.

Mr. Gordon Sambrook, commercial director of British Steel Corporation, predicted yesterday that even the big-volume steel users, in particular the car industry and can-makers, would be able to secure sufficient supplies to keep them in full production for six weeks.

Three things have happened to encourage the pre-strike build-up of stocks of steel.

The stocking movement began at the steel mills after Minimum Lending Rate was raised to record levels and British Steel was forced to produce for stock in the absence of buyers.

Next, some companies importing foreign steel decided to take positions in the hopes of a rise in prices early in 1980.

They built up stocks for foreign steel in their British warehouses. Finally, BSC has had plenty of notice of the impending strike, and has been able to dispose of its steel stocks accordingly.

Customers were urged to remove as much as they could afford to order from BSC mills before Christmas.

As a result, the stocks have been run down to low levels, and the steel redistributed, mostly by road, to customers' factories and steel stockholders' warehouses.

The big customers, including all car-makers and major engineering plants, have stepped up deliveries from their traditional "second sources" among European steelmakers.

In the 1970s, when BSC was sometimes unable to supply enough sheet steel, the practice of second sourcing developed among the major steel-using industries.

Now BSC finds itself in the unusual position of urging its customers to make maximum use of those alternative sources.

For the duration of the strike companies will draw their steel from three sources: the private-sector steelmakers, who provide only a limited range of products, the stockholders' and merchants' warehouses, and imports, mostly from European mills.

If each of those sources can increase deliveries by about 10 per cent, the extra steel will be sufficient to make up for the suspension of deliveries direct from BSC mills to customers.

The private sector companies and stockholders will have no difficulty in providing the extra. A question mark hangs over the security of supplies from Europe and other world steelmakers.

They will be easily identifiable by the strikers and by unions sympathetic to their action, and thus will run a high risk of being blacked at the docks or at rail terminals.

Railway and transport unions last night did not appear to have a common policy toward movements of steel in Britain.

If they permit movements from stockholders' warehouses and from private-sector plants, industry will be able to draw freely upon the large stocks available.

Confusion is inevitable, however, if the transport unions try to differentiate between British Steel products and other steel.

It is impossible to identify the source of steel products with any degree of certainty if factory marks are omitted or removed, and outer wrappings taken off.

BSC has built up the second largest chain of steel stockholding businesses in Britain under a holding company called British Steel Service Centres.

These stockholding warehouses now handle more than 10 per cent of all steel stockholding trade.

There is no indication yet whether the unions will attempt to blockade the heavy stocks held in the BSSC warehouses while allowing other stockholders belonging to the National Association of Steel Stockholders to continue to trade.

Banking-down

Blacking of movements of iron ore and coal is certain, but will be no more than a gesture.

BSC is already banking down its coke ovens and iron-making blast furnaces in preparation for the strike.

There will be no attempt by it to force the issue in the early stages of the strike by running cargoes of raw materials.

Flood cash cut warning unheeded

BY JOHN LLOYD

THE NATIONAL Water Council, the co-ordinating body for the country's water authorities, warned the Government four months ago that its capital expenditure was being cut to near-danger levels.

The water authorities share responsibility for drainage and flood control with local authorities.

The full cost of the floods which hit the south west of England last week has still to be determined, but it is already clear that in a number of areas flood prevention schemes were in adequate.

Yet the water authorities have seen their capital expenditure budget cut in the financial year 1978/79 to only 58 per cent of its peak in 1973/74. The Council made a plea for increased expenditure to the present Government, but found instead that its planned programme for 1979/80 was cut by 11 per cent.

In the foreword to the annual report for the past year, published in August, Sir Robert Marshall, the Council's chairman, said that while the cut would not pose a "grave threat," it "cannot fail to make more difficult the maintenance, let alone the improvement, of stan dards."

The report says "the paring down process of the last five years does mean that the current programmes are 'lean' rather than 'fat' and therefore cuts will penetrate into the essential tissue of what is needed."

The Government has told local authorities that the initial cost of repairing flood damage must come from the proceeds of a penny rate. Government will fund 75 per cent of the expenditure required above the sums raised by the rate.

The Department of the Environment said yesterday that no figures would be available on the cost of the damage for some time. However, the department said that much of the most obvious damage—to houses, cars and businesses — would be covered by insurance.

State road freight offer of 20%

BY NICK GARNETT, LABOUR STAFF

LORRY DRIVERS in the nationalised road freight companies have been offered a pay and productivity package which includes a rise of marginally more than 20 per cent on basic rates for the highest grade men.

The offer has been made to 15,000 drivers, loaders and yard shunters in four of the companies in the National Freight Corporation — BRS, Roadline, Tankfreight and the road haulage sections of Pickfords. The settlement date is the beginning of this week.

National Carriers' drivers, who are generally members of the National Union of Railwaymen, negotiate under a separate agreement.

In the past two years the Transport and General Workers' Union has taken the National Freight Corporation to the Central Arbitration Committee to obtain wage rises in line with the very large settlements won in private haulage.

This year regions of the Road Haulage Association have been settling wth their drivers on new top rates of £76 to £78, with pro rata rises for drivers of smaller vehicles. The previous top basic rates were £64 or £65.

The NFC offer involves a new top basic rate of £77. The differential between this rate and the next highest rate would be widened, however, with pro rata rises geared not to the highest but to the second highest rate.

The offer is linked to productivity changes which the corporation says are necessary to keep within the Government-set cash limits.

Th principal element of productivity sought by the corporation is improved working flexibility, including agreements on higher running speeds. Management says labour flexibility is higher in the private hire and reward sector than in the nationalised freight companies.

Management is also asking the Transport and General Workers Union, which represents the drivers, to agree to tighter control of the existing sick pay scheme.

Regional union delegate meetings on the offer are expected to be held next week.

Delay company car tax increase, urges CBI

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A WARNING to the Government not to increase the tax on company cars before substantial reductions have been introduced in personal taxation for lower- and middle-income earners is issued this morning by the Confederation of British Industry.

It says any changes in company car taxation should be phased over three years to allow both the employees and the car industry to adapt to the new arrangements.

Launching the policy statement, which has been sent to the Government, Sir John Methven, CBI director-general, said the CBI backed Ministers' long-term aim of removing the fiscal advantages of paying in kind rather than cash.

"But we believe the Government should adopt an even-handed approach to the question of benefits in kind, and that it is unfair to single out cars for attack."

Many people, particularly at middle management levels, had as yet received little net benefit from the cuts in income-tax introduced by the Government. Yet these were the people who relied on company cars for their work.

The CBI's views follow similar protests lodged last week by the British Institute of Management, which accepted the need for a review of taxation on fringe benefits but said company cars should not be singled out.

In its policy paper the CBI says changes should be phased over three years, because company cars are normally replaced every two or three years.

The cars should be taxed according to their value and engine capacity, and the present £8,500 salary limit below which they are not taxed retained, and increased only in line with inflation.

Airlines protest at British cost plans

BY ELAINE WILLIAMS

PROPOSALS to increase UK air navigation costs and airport handling charges are punitive to airlines, according to the Association of European Airlines.

Mr. Armin Baltenweiler, president of the association, says in a letter to Mr. Norman Tebbitt, Parliamentary Under-Secretary at the Depatment of Trade: "At a time when our own costs are deeply affected by tremendous increases and spiralling inflation, we are now faced, particularly at Heathrow, with actual and intended increased charges which by far exceed the highest inflation rates incurred by any country in Europe."

The Association of European Airlines, which represents 19 international scheduled carriers, complains about a range of proposed cost increases which it believes will "drastically affect the airlines' infrastructure charges for UK operations."

The association says these are: airport security, up 95 per cent; Gatwick landing fees, 20 per cent; Scottish airport landing fees, 54.5 per cent; airways navigation charges, 42 per cent; terminal charges at Gatwick and Heathrow, 18 per cent and charges at Scottish airports, 28.5 per cent.

While the association was aware of the Trade Department's efforts to bring fares down, it urged the authorities to review their decision on the whole matter of charges. British Caledonian alone has estimated that the increases would cost the airline an extra £2.7m next year.

Job prospects still declining—Manpower

BY JOHN LLOYD

EMPLOYMENT PROSPECTS in the UK continue to deteriorate, says Manpower, the work contracting company, in a survey published today.

The survey of more than 1,500 major companies found that more than 14 per cent of the companies forecast a drop in employment in the first quarter of next year — up 2 per cent on the survey's result for the last quarter of this year.

There was a sharp drop in employers forecasting an increase in employment — from more than 28 per cent for the last quarter of the year to just over 21 per cent for the first quarter of next year. Six months ago, the percentage expecting to employ more was nearly 35 per cent.

But the report says that these figures are better than those received on the eve of the last recession, in 1975, when only 13.7 per cent forecast staff increases.

The sector expected to be worst hit is subcontracting. The proportion of companies expecting cutbacks in subcontracted services has risen over the past two quarters from 7.3 per cent to 17.2 per cent.

The manufacturing sector appears more buoyant than others, with 22.3 per cent of manufacturing firms surveyed forecasting staff increases, against 11.6 per cent forecasting cuts.

"There are large variations between individual industries, however, with those firms working on full order books from earlier in the year returning positive employment forecasts, and others visibly reacting to the depressed economic trends," report says.

Gilt-edged investors expect sharp fall in interest rates

BY DAVID MARSH

INTEREST RATES are expected to fall sharply next year, according to replies to a questionnaire distributed to gilt-edged investors by stockbrokers L. Messel.

More than 80 per cent of the 241 respondents to its survey on the investment outlook expect Minimum Lending Rate to fall from its present level of 17 per cent to below 14 per cent by December, 1980, with 12.1 per cent the average expectation for MLR by that time.

The average expectation for the yield on long-term government bonds by the end of next year is 12.3 per cent (for Treasury 11½ per cent 2003-07). This implies a capital gain of 16.3 per cent compared with present levels.

Inflation is expected to moderate, although not by a significant amount. More than half the respondents thought the increase in the retail price index in the year to next December would be more than 13 per cent and about one-fifth thought it would be above 16 per cent.

The average expectation was for a rise of 14.7 per cent, close to the projections put forward by other forecasters. UK retail price inflation is now running at an annual 17.4 per cent.

An important conclusion from the survey is that the market expect gilt-edged stock to be a successful inflation-beater next year. The expected 16.3 per cent capital gain on long-term bonds, coupled with the presnt gross yield of 14.4 per cent, gives a total return of 30.7 per cent. Compared with the average expectation for inflation of 14.7 per cent, this adds up to a real gain of 13.9 per cent.

Inflation survey gives warning for 1980s

THE SINGLE £8,000-a-year man of today will need an income of £50,000 a year by 1990, just to stay where he is now, if prices go on rising at the present rate.

This is the findings of a study of inflation in Reader's Digest. If he is married, he will need an extra thousand a year.

Inflated prices will take £34,000. The rest will go to meet the higher tax demands on the higher income.

Childless couples have been the biggest losers in the last six years of high inflation because they are the biggest spenders on luxury goods.

RAC president

PRINCE MICHAEL OF KENT is the new president of the Royal Automobile Club. He succeeds the late Earl Mountbatten of Burma, who held the position for 36 years until his death last August. Prince Michael's father was RAC president in 1942.

Transport outstrips all energy users

By Elaine Williams

USE OF energy for transport has outstripped energy consumption generally, according to Government statistics released yesterday.

The Department of Transport, in a study of UK transport patterns between 1968 and 1978, shows that consumption of energy by transport rose 33 per cent in the decade while total energy consumption increased 5 per cent.

In 1978 transport accounted for 23 per cent of energy use.

The department says the 33 per cent increase in consumption by transport reflects rising living standards, which have allowed greater mobility and the demand for consumer goods.

Even the 1973 oil crisis had a less severe effect on transport than on other energy users. The statistics say total consumption in 1973 fell by 9 per cent but this figure was only 5 per cent for transport. By 1977 the use of energy by transport had completely recovered, while in 1978 the overall energy consumption had still not reached the peak 1973 levels.

The rising trend of fuel consumption is explain by the price of petrol compared with the general level of pricing for motorists who, in 1978, consumed about 50 per cent of all fuel used for transport.

Until 1973 petrol costs, in real terms had been falling. This was followed by two years in which the price went up sharply, 40 per cent, in real terms. Thereafter, prices fell steadily until 1978.

The volume of traffic increased more than 40 per cent between 1968 and 1978. There was a temporary fall in 1974. Car traffic has grown most—by nearly 59 per cent—but bus and coach traffic has fallen 8 per cent. Both motorcycle and pedal cycle traffic, which had been declining steadily before 1972, enjoyed a revival as fuel costs rose.

Statistics show the average mileage of cars in 1972 was 9,100 miles. In 1975 and 1974 this fell 400 miles, only to increase again, reaching 9,500 miles by 1978. Motorcycle mileage has increased to 3,500 miles compared with 2,500 miles in the 1960s. The department believes this may be the peak figure.

By weight, 83 per cent of all freight was carried by road in 1978 compared with 85 per cent 10 years earlier. In the same period rail reduced its share by 1 per cent to 10 per cent. Pipelines and coastal shipping increased their share of goods transport to 4.5 and 3 per cent compared with 1.6 and 2.6 per cent in 1968.

Division of postal union challenged by members

BRANCHES of the Union of Post Office Workers have proposed a wide range of amendments to restructuring recommendations made by the union's executive last month.

The issue will be discussed at a special conference in January.

The restructuring proposals have been framed in the light of the imminent division of the Post Office into separate postal and telecommunications businesses.

They involve a change of name for the union to the Amalgamated Union of Communication Workers and the creation of two virtually autonomous sections within the union.

Some of the amendments propose deferring any decision on restructuring the union and call for resistance, with TUC support, to splitting the Post Office.

Other amendments reflect disagreements about the proposed change of name. One suggestion is the Union of Postal and Telecommunciation Workers.

The bulk of the amendments, however, concern the detailed proposals from the executive on the way the union should be separated into two sections, and the subsequent negotiating and consultation structure.

The executive report envisages the creation of one group for the 35,000 to 40,000 telecommunications members, who would otherwise be isolated from the main membership, and another for the 160,000 members in the postal business.

The two groups, which would be headed by management committees of 15 postal and seven telecommunications members, would be responsible for some pay and ocnditions negotiations.

Senior officials would deal with national annual pay claims

Brokers expect policy changes

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE GOVERNMENT is likely to be forced in the next 18 months to modify its approach to a strong sterling exchange rate, wage freedom, industrial aid, and import controls, say the stockbrokers Wood Mackenzie in their end-of-the-year Economic Outlook published today.

The brokers argue that there are high risks attached to the policy of tight fiscal and monetary policy coupled with non-intervention in wage-bargaining.

"The short-term costs are clear—it will lead to a very severe squeeze on the corporate sector. This will be translated into a sharp fall in real private investment and widespread destocking.

"Even in 1981 there will be only limited signs that the economy has responded to the Government's policy. In particular, the non-oil sector of the economy is forecast to show only a modest recovery in 1981 after a steep downturn in 1980, while the inflation rate is expected to remain well into double figures."

Wood Mackenzie maintains that the Government's belief that market forces will be sufficient to restore a financially sound private sector is unlikely to be the case within the timescale of the current Parliament.

Consequently the firm believes that the likely bankruptices and increased unemployment will lead to greater intervention. "The first stage is likely to involve increased aid to specific industries and areas. As pressure continues to build up, there is likely to be a move to selective import controls. Ultimately, the Government may have to establish a norm for private sector wage increases as they implicitly do in the public sector via cash limits."

This analysis is based on forecasts which, in line with most other recent projections, envisage a decline in total output of 1.7 per cent next year followed by a 1.1 per cent rise in 1981.

Real gross domestic product is not expected to recover to the 1979 level until the second half of 1981.

Consumer spending is projected to rise by 0.2 and 1.2 per cent respectively in the next two years, and the corporate sector is expected to bear the brunt of the recession via a reduction in investment and in stock levels.

The brokers suggest that "a slowdown in the growth of both wage and material costs, lower interest rates and some improvement in the level of demand should ease the pressure on the corporate sector in 1981. This should allow the level of real private investment to stabilise and a resumption of physical stockbuilding."

A big improvement on the visible oil account is expected to produce a switch from an expected current account deficit of £1bn next year to a surplus of £500m in 1981.

However, there is little prospect of the inflation rate returning to single figures before 1982 as a result of rising oil prices, of probably only a modest slowdown in the growth of wages and of pressure to increase company profit margins after next year's squeeze.

Motoring holiday scheme

FINANCIAL TIMES REPORTER

CHEAP motoring package holidays are to be introduced by Townsend Thorensen Holidays, part of the ferry group, to encourage the use of its growing number of ferries.

Its range of inclusive Continental motoring holidays called "Freewheeling Discovery Tours" offer three to 12 days at a variety of centres in France, Belgium, Holland, Germany, Austria and Switzerland.

The holiday package, based on four adults travelling with a car, start from £40.75 for a weekend in Amsterdam. Seven nights in Switzerland will cost £125.50 and an 11-night tour of Austria, £198.50.

Early this month Townsend Thoresen announced that it was introducing three new ferries which would increase its capacity by half on the busy Dover to Calais run.

Hope for Ulster power switch

MR. HUMPHREY ATKINS, the Northern Ireland Secretary, has said agreement at the forthcoming conference on Ulster could lead to the devolution of a wide range of responsibilities.

In his New Year message Mr. Atkins said he hoped it could bring about the transfer "of much of the power currently in my hands to local politicians and local institutions."

He called for the active support and co-operation of the Ulster people, forebearance from the public in Great Britain and patience and goodwill from the rest of the world.

Reviewing the past decade of violence Mr. Atkins said that contrary to popular belief the level of terrorism in the last few years was considerably lower than in the first half of the 1970s.

Mr. John Hermon, who takes over as Chief Constable of the Royal Ulster Constabulary tomorrow, said: "Let us resolve that the dark years of the '70s are behind us in time and spirit."

Courage, responsibility and trust on the part of everyone would be needed to defeat terrorism.

Provincial journalists may accept offer

BY ALAN PIKE, LABOUR CORRESPONDENT

PROVINCIAL journalists appear to be moving closer to acceptance of a pay offer which they originally rejected.

Earlier this month the provincial journalists voted 3,225 to 1,099 against the offer, which the National Union of Journalists says is worth 14.5 per cent on the wage bill.

But the Newspaper Society—the organisation representing provincial managements—has said the offer is a final one and at the weekend a 3—2 vote of NUJ office representatives failed to endorse a programme of sanctions to try to force better proposals.

The weekend meeting was attended by only 70 office representatives. A final decision will be made by chapels (office branches), many of which will meet today.

In the original vote the chapels came out 188—54 against the offer. There is growing feeling that more may now be prepared to accept it.

The employers' proposals have been accepted by the smaller, non-TUC affiliated Institute of Journalists. It will give qualified journalists increases of £12-£16 per week from this week.

Last year 9,000 NUJ members in the provinces staged a seven-week strike over pay, the first national action of this character undertaken by the union.

Post Office structure to change

THE Post Office enters the New Year with considerable uncertainty surrounding its structure.

In the first place, the two main businesses—posts and telecommunications—will be effectively run by two separate Boards, though both will be under the chairmanship of Sir William Barlow, the Post Office chairman. The National Girobank will remain the responsibility of the postal business.

The present Board is expected to remain in being formally, to discharge its statutory duties.

It is not yet known if new appointments will be made to the separate boards, or if senior directors from the two businesses will be co-opted to them.

Secondly, the seven worker directors, who have been members of the board since January 1977, had their appointments terminated today. Sir Keith Joseph, the Industry Secretary, said earlier this month, that the Post Office board could not agree on continuing the experiment.

It is likely that some sort of workers' representation will continue. Negotiations between the Post Office and the Council of Post Office Unions on a new form of industrial democracy begin next week.

Mr. Anthony Carter, secretary-general of the COPU said: "We think we are now in a negotiating position and that we shall work towards some kind of an industrial democracy agreement."

Sir William favours a policy council, on which the general secretaries of the Post Office unions would meet with him to discuss developments, and attempt to arrive at common positions.

Mr. Carter said such a scheme would not be accepted. "The first thing must be to secure proper accountability. Without that, any scheme is a sham."

The two-year appointments of the two members of the board who look after the consumers' interests, Mrs. Janice Walsh and Lord Winstanley, also lapse today.

Post Office urged to cut home deliveries

BY JOHN LLOYD

THE Mail Users' Association, which represents the interest of business mail users, wants the abolition of the second daily delivery to homes.

In a list of New Year Resolutions for the Post Office, the association says today the second delivery carries only 20 per cent of mail. Its abolition would save £100m, or 1p a letter.

The association says the Post Office's two-year plan to raise productivity and improve service is a "non-starter."

"Already events over Christmas have ensured that its pious hopes will not be realised — lack of service on the 27th, sealing of letter boxes in London WC, inability of machinery to cope, and disruption by London drivers."

It says massive losses in postal traffic and jobs can only be avoided by genuine productivity improvements and phased changes in service.

Mr. Denis Roberts, the Post Office's managing director of posts, said that the association was one of many consumer trade associations which the Post Office dealt with. It was "by no means the most important."

Building and Civil Engineering

£6m Taylor Woodrow award

WORK ON a £6m contract awarded by British Aircraft Corporation at Dhahran Airport, Saudi Arabia, has been started by Taylor Woodrow International.

The work has been planned by the British Aerospace Civil Engineering Department, and involves the construction of a series of reinforced concrete stores, steel work buildings and a high voltage electrical distribution system linking the buildings. Completion is scheduled in the summer of 1980.

The Taylor Woodrow Group has also won a contract in the Sultanate of Oman. Its associate, Taylor Woodrow-Towell Company (LLC), is undertaking a £620,000 contract awarded by the Royal Oman Police for the construction of a three-storey block of flats in Tayun, Muscat.

The U-shaped building will contain 24 self-contained flats, each with two bedrooms, a Majlis (Islamic reception room), sitting/dining room, kitchen and bathroom; externally, they will have balconies with arch facades in the Islamic style. The site is currently occupied by temporary barracks which will be demolished before the construction of the flats.

Architects are Taylor Woodrow International's architectural department; consulting engineers (structural) Phillips Consultants; consulting engineers (services) Taylor Woodrow International Mechanical, Electrical, and Process Division. Work is already underway, with completion scheduled for the end of 1980.

Work in Oman for Costain

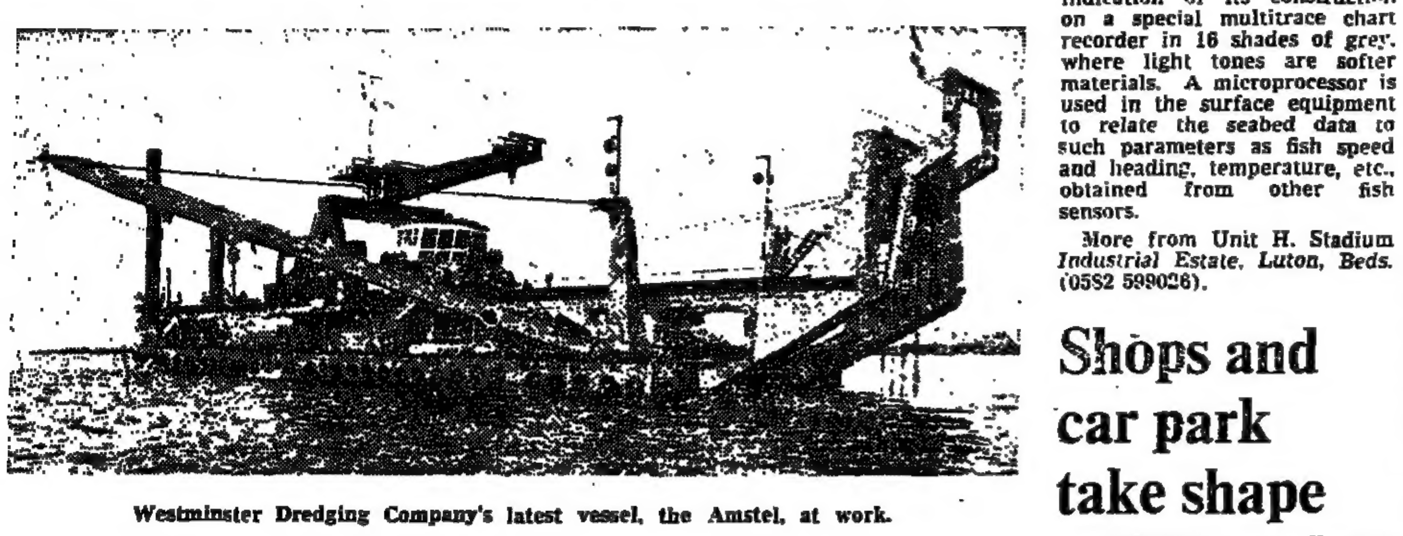
CONTRACTS worth over U.S.$ 1.2m for the construction of a liquefied petroleum gas (LPG) production unit and a compressor station at Yibal, Oman, have been won by the Costain Group.

The awards have been made to the Process Engineering division of Yayha Costain by Petroleum Development (Oman).

The contracts include the building of a LPG unit which will be capable of producing either liquid propane or liquid butane and associated storage and loading plants.

A compressor station will compress processed gas from a *natural gas liquids (NGL)* plant for supply to a pipeline and ultimate use as power station fuel. It will also handle untreated wet gas to use in the gaslift system to maintain production *of crude oil*.

The LPG production unit will consist of skid-mounted units comprising vessels and pumps, skid-mounted piping headers, site fabricated inter-connecting pipework, electrical and instrument cabling and equipment. Testing and flushing of pipework pre-installation and calibration and assistance with commissioning will also be carried out.



Westminster Dredging Company's latest vessel, the Amstel, at work.

CHALK CAN MAKE GOOD LANDFILL

SURPRISING to many civil engineers—*and even larger numbers* of laymen—will be the discovery that dredged chalk can be used with success as a landfill material.

For anyone who has had to make his way through the sticky grey mud at the base of some of the chalk cliffs in Britain, this statement may cause some astonishment, but *material from reclamation* dredging in the Port of Ramsgate is being pumped ashore to reclaim an area of up to six hectares—15 acres—for use as a future hovercraft terminal.

Thanet Council made the disclosure around the halfway mark in a £½m dredging contract being carried out by Westminster Dredging Company, which is operating—for the first time in the UK—one of its largest and newest cutter suction dredgers, the 76.5 metres Amstel.

Westminster Dredging says that in the 100 *years of its* experience, it has never recovered chalk for reclamation purposes.

Produces a map of the sea bed

IN THE latest seabed mapping system from Edgerton Germeshousen and Greer, available in the UK from Fenning Environmental Products, the maximum operating depth has been extended to 2,000 metres and the maximum width of coverage to 1,000 metres.

A *side scanning sonar system* is used in a tow fish which can also be equipped with other sensors (temperature for example) and with a "pinger" system which allows it to obtain *position* data from seabed transponders and send it by ultrasound through the water to the towing ship.

The scanning data, however, is sent through a specially strengthened coaxial towing been digitised and multiplexed by suitable electronics.

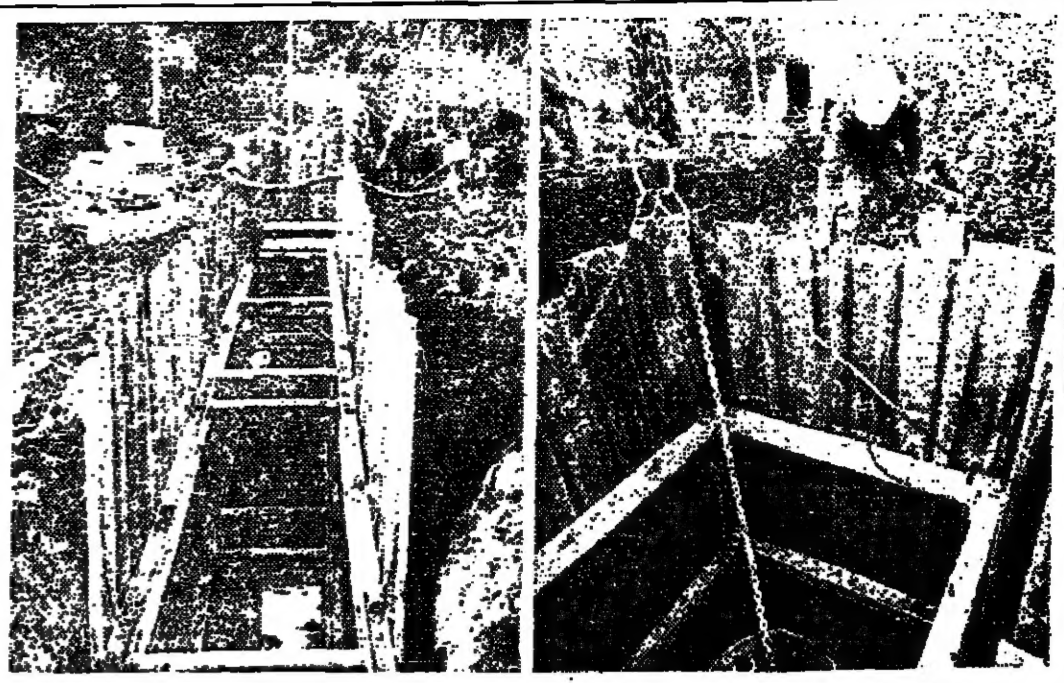
Aboard ship the data is returned to analogue form and is used to produce a map of the sea bed which gives an indication of its construction on a special multitrace chart recorder in 16 shades of grey, where light tones are softer materials. A microprocessor is used in the surface equipment to relate the seabed data to such parameters as fish speed and heading, temperature, etc., obtained from other fish sensors.

More from Unit H, Stadium *Industrial Estate, Luton, Beds.* (0582 599026).

Shops and car park take shape

A CONTRACT worth £780,000 has been completed by Bison Concrete for the structure in precast concrete of a combined shopping area with a two-storey car park above it at Foregate and Frodsham Streets in Chester.

The shopping facilities will provide a superstore for Tesco with 80,000 sq ft gross area and a large retail store for *Boots providing 60,000 sq ft*. The overall contract, for which Cruden Construction is main contractor, is worth £4.5m.



In Shorco's latest trench shoring system chains enable the shoring to be positioned before men enter the trench (left). On the right, a Shorpak manhole brace is shown in place. The brace is expanded at each corner simultaneously by means of an hydraulic pump. If the excavation is not square, the brace will automatically adjust to provide equal support at each point.

SAFE TRENCH SHORING SYSTEMS

FOLLOWING ITS launching last summer of a shoring system for a wide variety of trenching applications Shorco has now developed two more hydraulically-operated systems —both devised to offer the greatest safety.

One of these systems, called Tren-shore, *has been designed* to eliminate the use of conventional shoring methods involving timber, trench sheets and adjustable jacks and struts.

The equipment is made from aluminium and can be used for various widths of trench by means of add-on extensions. Units can be installed and removed from ground level very quickly by one man using a double-action hand-operated hydraulic pump.

The other system has been developed for use in manhole *construction and is described as* a four-way hydraulic frame. No cross-bracing is necessary and a clear working area is thus made available. The shores used for this system are made from steel box sections and, as in the other system, placing of the units in the excavation is aided by a hand-operated hydraulic pump.

All this new equipment is now available for sale or hire. It is made by Shorco Trench Systems, Contex House, Dewsbury Road, Churwell, Leeds LS27 8PR (Morley 522122). The *company has also arranged for* its new equipment to be distributed by Vibroplant, PO Box 12, Prospect Road, Harrogate, North Yorkshire HG2 7PW (0423 886341).

Traffic is not disrupted

NEW TECHNIQUE for repairing bridges dispenses with the need for scaffolding during repairs to bridge joints and instead of the work being tackled *from below the bridge deck*, the latter is lifted clear of the supporting piers by an overhead gantry and jacks, thus eliminating scaffolding and lane closures on the road beneath.

Technique has been developed by engineers of Fairclough Civil Engineering, northern division in Adlington, Lancashire, and the steel gantries—a vital part of the operation—can be made *to order on site*.

It is also safer because there is no risk of traffic on the main road colliding with scaffolding around the bridge, and the advantages have already been witnessed by officials from the Department of Transport who travelled to Cowbridge in Glamorganshire, South Wales, to see the operation at first hand on a bridge over the A48 trunk road.

The *technique* will be applied again in February in a second bridge repair contract for South Glamorgan County Council.

More from Fairclough on 061-832 7972.

Aids the drawing routines

MAJOR improvements *in* throughput are expected at Hulme Chadwick and Partners, London architectural design practice, when the firm's new Calcomp 16S 500 interactive *graphics system comes into service* in February next year.

This computer-driven drawing machine will handle origination, alteration and storage of the work and is expected to make working drawing programmes in from one half to one third the time now required, while making possible *the rapid re-issue of drawings* altered at any stage of a scheme, but especially in the site phase.

A great deal of extra information concerning engineering work, both services and structural, will henceforth be included with the drawings at source where required.

And the machine will also do *a large amount of conventional* computing work such as wages and the preparation of programs.

Underwater task for Mears

CHALLENGING the ingenuity of the underwater engineering division of Mears Contractors is an award from Intrusion Prepakt (UK) for work on Weston Lock, Runcorn, on the Manchester Ship Canal.

Diving work requires the closure of two penstock valve chambers and sealing the original lock gates to stop ingress of water.

When this has been completed, a 7 metre wide concrete *wall will be built across* the lock using the patented Prepakt bag system. This will demand the placing of some 750 cubic metres of special concrete, most of it under water.

Final operation will be the laying of 1.5 metres of concrete to seal the floor of the lock and provide a permanent thrust block for the gates to bear against.

Main contractors on this project for the Manchester Ship Canal Company are Intrusion Prepakt (UK) and A. Monk and Company of Warrington.

Digging a big trench

THE Sir Alfred McAlpine Zanen Dredging Company, has been awarded a sub-contract worth nearly £600,000, by Christiani and Nielsen, for the dredging portion of the GLC's Thames Flood Defence contract No. 1L Thamesmead.

McAlpine Zanen's work involves the digging of a trench, roughly parallel to the existing sea wall, some 800 metres long and 40 metres wide at the *base. It is being dredged by* the grab crane "Haringvliet," which has a grab of 5 cubic metres capacity, with the spoil being transported by barge to an unloading pump unit at Rainham.

It is expected that the contract will be completed in 12 weeks.

Technical News

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● PROCESSING

Improved control of filtering

ACTAIR International's Pactecon series of dust filters for air pollution control has been improved to give 50 to 100 per cent greater capacity and more flexibility of application.

This has been achieved by the development of a solid-state timer to control the automatic reverse-jet air pulse cleaning system.

This replaces a preset mechanical rotary-cam timer and can be easily adjusted to vary the duration of the cleaning pulses and the intervals between them so that the cleaning cycle can be matched to individual applications. It also enables the cycle to be varied by means of a simple user adjustment if the operating conditions should change.

The new timer gives more frequent cleaning pulses of shorter duration. This improves the cleaning performance and reduces the time for which each filter section is isolated. It *operates at 36V in accordance* with European recommendations and can be connected directly to 110V, 220V or 240V supplies.

Up to 12 filtration sections can be controlled and Pactecon units fitted with the new timer can be extended simply to give increased capacity if necessary. Pactecon filters fitted with mechanical timers can also be up-dated to the new standard by use of a simple conversion kit.

Actair operates from Penarth Road, Cardiff CF1 7UG. 0222 387873.

● INSTRUMENTS

Checks system signals

LEVEL measurement in telecommunications transmission systems can be a time consuming procedure because results usually have to be taken at a considerable number of frequencies.

In this, as in many other instruments for electrical/electronic measurement now coming on to the market, the microprocessor is coming to the rescue.

Latest example is the SPM-19 from Wandel and Goltermann (UK), capable of high accuracy wideband or selective measurements in the 200Hz to 25 MHz range.

Simple to operate, the instrument has a keyboard on the front panel for entering the operating mode, frequency, and reference level. Up to 100 single fixed frequencies, self-actuating frequency runs and complete instrument settings can be stored in the memory and subsequently recalled by a simple program address code. Selected frequency and measured result are seen on both digital and analogue displays, in various dB notations.

Other quantities, such as phase jitter, random circuit noise and noise power can also be measured.

A newly developed synthesiser ensures accurate and stable frequency settings to a resolution of one hertz, allowing frequencies to be varied in *steps, or continuously, for automatic* runs, search scans and sweeps with extremely low intrinsic phase noise.

More from the company at 40 High Street, Acton, London W3 (01-992 6791).

● SECURITY

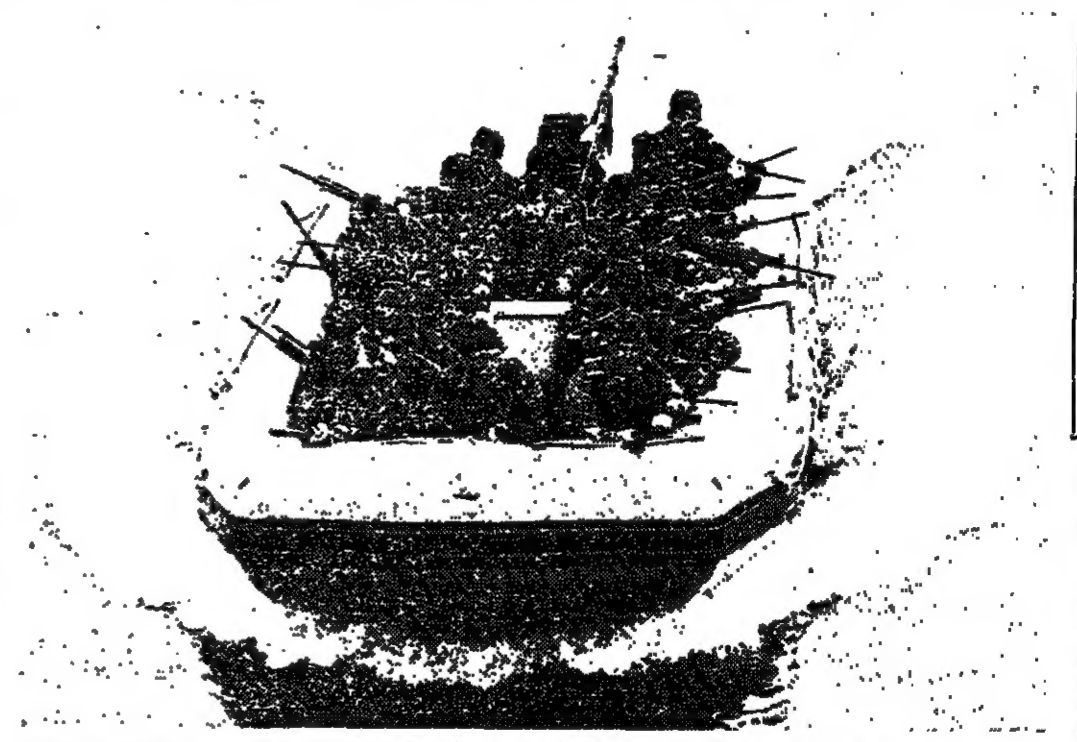
Secrets are turned to dust

USERS of microfilm and microfiche who need to destroy records of sensitive or highly confidential information can reduce their valuable material either to strips of 0.6 by 7.5 mm or to much tinier dust-like particles or threads.

Reconstruction of the processed material in the first instance would be very difficult, and, in the second, virtually impossible. Micrasor 1 is the first machine employed and Micrasor 3, the second.

Hourly capacity of Model 1 is about 2000 fiche and 1300 for Model 3.

Perforag (Sales), Greaves Way, Leighton Buzzard, Beds LU7 8UD. 0525 376743.



This inflatable boat is to be introduced at the Boat Show opening this week in London. As can be seen here, it is capable of carrying heavy loads (in this case 24 fully-armed Territorial Army men taking part in a beach landing exercise). It is called the Avon W800, has seven individual air compartments, two keels and will take two 85 hp outboard engines. Main role seen for these workboats is in carrying men and materials for civil engineering work, offshore industries and similar activities. The boat is manufactured by Avon Inflatables at Hendy, Pontardulais, Dyfed, South Wales.

● DATA PROCESSING

Mini controls measurements

INTRODUCED BY C. E. Johansson is a new family of Cordimet three axis co-ordinate measuring machines which make use of a minicomputer for control of the measurements and the mustering and manipulation of the measured dimensions.

In these machines co-ordinate probes are carried on very solid gantries and slides supported on massive granite beds. In the *new versions, each machine will* include its own mini and hand-held terminal permitting two dimensional measurement, with a pre-determined range of programs covering nearly all com*mon measuring tasks*. These include cartesian and polar co-ordinates, choice of measuring origin, pre-setting of co-ordinates, alignment, diameter and centre position, and inch/metric selection.

The hand-held terminal dispenses with the usual digital display panels on the machine and has a display of its own together with a keyboard that allows direct communication with the computer. It shows measured results, program information, codes called for and guides the operator through the more complex task in the bigger systems.

A number of options can expand the system at a later date. For example, a printer can be used to record the work carried out, showing out of tolerance conditions, etc., or for more complex tasks the data handling system CA 201 can be added.

This can start with the computer plus 32,000 words of memory, floppy disc and Teletype terminal and will provide full three dimensional alignment facilities with computer-assisted measurement in two axes.

More from the company at 66 High Street, Houghton Regis, Dunstable, Beds. LU5 5BJ (Dunstable 68181).

● IN THE OFFICE

Takes the forms apart

WILKES-MULTIMATIC is introducing a motorised version of Handi-Burster forms burster, *specially for the mini-computer* installation, the computer terminal and the 'small' users of main frame computers. It should find a niche in departments where the volume of forms to be burst does not justify the purchase of larger, more expensive machinery.

Standing on table or desk top and measuring 28¼ inches wide by 11½ inches high and 22¼ inches long (38 inches with its *receiving tray*), the unit plugs into a standard 13-amp power socket, and speeds up the bursting of continuous forms into single sheets. Its motor has a variable speed control of up to 150 feet a minute.

Easy to use, it will burst single sheets varying in size from 3 inches to 12 inches deep.

Wilkes is at Parkfield Road, Wolverhampton, West Midlands WV4 6EL. 0902 49434.

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MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

Management abstracts

These summaries are condensed from the journals of abstracts published by Anbar Management Publications. Readers wishing to consult original texts should write to: P.O. Box 23, Wembley, HA9 8DJ.

Managing the Working Capital Cycle. R. J. Lambrix and S. S. Singhvi in Financial Executive (U.S.), June 79: p. 32 (7 pages, tables)

Discusses factors that affect working capital in terms of physical material flow, paperwork flow, and cash flow, identifies weaknesses that commonly occur in each of these, and gives an extensive checklist of the questions that ought to be posed when looking for improvements.

Managers can Drive their Subordinates Mad. M. F. R. Kets de Vries in Harvard Business Review (U.S.), July/August 79: p. 125 (9½ pages)

Outlines a situation of mutual dependency that can develop in organisations between a manager and his subordinates that results in a condition known as folie à deux—shared madness—and is marked by contagious irrational behaviour patterns; explains how and why it can occur, how its symptoms can be recognised, and how to control it. Gives examples, and stresses that it need not always be a bad thing.

Involving People in Standard Telephones and Cables. N. J. Cooper in Industrial Participation (UK), Summer 79: p. 2 (3 pages)

Describes an experiment at the Treforest works of STC; outlines a programme to secure maximum involvement of the workforce; reports employee initiative to maintain impetus, e.g. cost reduction targets, improved layout of departments, formation of a voluntary fire-fighting squad; claims that the success of the scheme justifies efforts to introduce the ideas into other company plants; contends that constructively involving workers does not mean abandonment of management leadership.

Highway to Managerial Success. C. Margerison in Personnel Management (UK), Aug. 79: p. 24 (5 pages, charts)

Describes a survey of 20 chief executives and their assessment of reasons for their success; these were primarily personal factors such as inner drive and ability to work with a wide variety of people. Considers implications for management development, and concludes that there may well be a lot in the "leaders are born not made" adage.

Frank Lipsius on the problems created when social drinking becomes anti-social

The high cost of business hangovers

"ONE of our top salesmen comes in drunk every day. We know it. But there is nothing we can do until it affects his work performance," said the medical officer of a New York insurance firm.

In a social profession like insurance selling, the lack of drinking may conceivably be more detrimental to work performance than too much drinking—at least in the short term. Over the long haul, however, there is no question that work, no less than driving skills, is affected by drink.

The social cost of drinking among Americans is reckoned to be approaching $50bn annually, and in the workplace $1,500 a year per employee.

The third major health problem after heart disease and cancer, it can directly cause cyrrhosis of the liver, a high incidence of physical injury and more than -5bn worth of automobile accidents a year.

America is thought to have a total of 9m alcoholics, including 3 per cent of the workforce and an increasing number of teenagers and women alcoholics. The federal government is already helping teenage drinkers, while companies are taking a greater interest in employees with drinking problems.

A recent survey of 65 companies produced the startling statistic that one quarter of them thought alcoholism affected the performance of at least ten per cent of their employees. The survey also divided the workers by function and found that among service and production employees, 7.7 per cent have an alcohol problem; 4.6 per cent of professional and managerial employees and

3.8 per cent of office and clerical workers.

This massive hangover has forced companies to face the problem directly. At the British-American Oil Company, for instance, the chairman of the board himself wrote a long article on the subject in the company magazine. He articulated the cost to the company: "Getting closer to home, in B-A we know there are probably about 300 problem drinkers. These people each lose 20 days a year compared with four to five days for other employees. They make mistakes."

After citing statistics that show a recovery rate of 80 per cent for alcoholics in companies with an enlightened attitude, he advised supervisors to look out for "symptoms (that) include red or bleary eyes, flushed faces, overtiredness, absenteeism, avoidance of supervisor or fellow-workers, increasing irritability or other personal changes, nervousness, decreased efficiency, vindictiveness, untruthfulness and distortion and odd or questionable rationalisation of any of the above behaviour."

The company's six-point policy on alcoholism, printed in bold-type above the article, emphasises the "health problem" of alcoholics, the anonymity guaranteed to those who face the problem and the financial coverage provided for treatment.

It is with the enlightenment of such companies as B-A that the greatest strides are being made in handling alcoholism at work. Cure for alcoholism still primarily relies on treatments that go back decades. Early detection is the best medicine, and industrial programmes often reach people while they are still functioning, with the social supports—of family, friends and colleagues—that eventually disappear when the disease reaches its sad—and irrevocable—nadir.

Essential to such early detection are the employee assistance programmes, the system concerned with mental health that backs up company medical facilities. Dr. Harry Brownlee, the president of Brownlee Dolan Stein, a consultancy in New York, says it is a myth that alcoholics refuse to refer themselves for treatment. The five company presidents he has treated came to the firm of their own accord. Self-referral is usually the best guarantee of ultimate cure, since it shows a willingness to face the problem while the individual still functions in his work and social capacities.

In the upper echelons of business, self-referral is usually the only way an executive will find help. Lower down, however, Dr. Brownlee finds supervisors willing to refer subordinates to any existing network of assistance. A court case in New York affirmed the right of a company to demand that an employee should undergo a psychiatric evaluation as an extension of the theory of preventing the spread of disease. The prevailing practice, however, is to broach the subject only when job performance is affected.

Growth in available facilities has kept up with the growth in detection and referrals. More than a dozen American states now require insurance companies to cover additional programmes, and hospitals have been adding alcoholism treatment centres at a prodigious rate. In particular hospitals with a surfeit of beds find such facilities a valuable complement to their services. In geeral, the cost of maintaining rehabilitation units is less than other hospital services.

Most follow the programme established in 1949 by the Hazelden Foundation in Minnesota. Originally meant to treat alcoholism among the clergy, Hazelden took the leap from aversion therapy to counselling, and as such it acts as a model for all in-patient treatment. Harold Swift, the administrator at Hazelden, is approached by numerous hospitals each year for guidance in setting up in-patient rehabilitation units.

The Hazelden model takes a multi-displinary approach, using doctors, psychiatrists, and psychologists as well as paramedical staff, including nurses, clergy and cured alcoholics as counsellors. The typical 24-bed unit at Hazelden has two psychologists, two nurses, a half-time psychiatrist and a full-time clergyman or equivalent. The patients stay from three to five weeks, averaging 30 days, and the centre provides family support units to help pave the way back to normal life.

Since 1977 Hazelden has run out-patient units in different areas of Minnesota; its work is considered to supplement that of Alcoholics Anonymous, the mainstay of all long-term alcoholic treatments. The out-patient units can be used by Hazelden patients after leaving the centre, but they are also meant for those who do not need in-patient care, allowing them to disrupt their jobs and personal life as little as possible.

At Brownlee Dolan Stein, hospitals' out-patient units are recommended to allow alcoholics the chance to receive individual counselling as well as group work, again supplementing the AA. Personal counselling tends to be used to steer clients towards accepting the AA as their long-term source of help.

Ultimately, the major concern of those involved in all these services is whether their jobs will be jeopardised by their alcoholic problems. Jim Wrich, who runs the employee assistance programme for United Airlines and is the executive director of the 1900-member Association of Labour Management Administrators and Consultants on Alcoholism, finds his own company as good as its word at getting cured alcoholics back on the job. In the particularly sensitive airline world for example, more than 60 pilots have been treated and put back on the job after alcoholism therapy.

In the medical profession's own back yard, however, Dr. Brownlee notes that hospitals show reluctance to take doctors back on their staffs after undergoing alcoholism rehabilitation.

And in the business world it is naive to assume that black marks such as this will not have a bearing on future promotion.

But as the British-American Oil Company's policy makes clear, it is preferable to encourage alcoholics to come forward to face treatment and rehabilitation than continue to try to ignore the problem, thereby, gradually undermining not only one's own work but also the communal atmosphere.

EXECUTIVE HEALTH — BY DR. DAVID CARRICK

New Year resolvers take heed

"NEW YEAR resolutions" are a non-hardy annual. These curious intentions are usually aimed at pursuing a life-style which the aspirant hopes will guarantee him improved health and, presumably, increased longevity. In brief, they are prayers to oneself to improve oneself.

Such resolutions kept are usually ephemeral. Most are made on the day after New Year's Eve, when the headaches and digestive problems arising from wild indulgence in alcohol have led to a dreadful dawn. Like lying awake in the early morning when everything seems hopeless, suffering a hangover induces a state of mind which craves for a more innocent future: an attitude which lasts only until Nature repairs the ravages of over-indulgence.

Many of the popular resolutions are excellent, but one should consider their application carefully. Most favoured is the decision to take regular exercise. A splendid notion, but may I beg those who actually start their effort to take it easily. A good walk; even a gentle trot for a short distance, may lead on to better disciplines. But please do not attempt a 10-mile gallop; half an hour on a static bicycle; or hours of attempting to lift great weights. Neither I nor any other doctor wishes to encourage unnecessary extra work for himself.

The brief vow to abandon drink is amusing. Far better just to be moderate, for social drinking is far more enjoyable and remains sociable. Then there is the question of "wise dieting." Eat regular meals which never seem to add weight in the way that irregular giant snacks do. Obey curious diets if you wish to suffer from boredom as well as boring others. Weigh each medical obsession against another and, having found that they cancel each other out, eat what you enjoy but stop before the enjoyment cloys.

Very few people include the resolution to work better because the old pride in achievement is in a sick state. This applies to both men and masters.

The executive grumbling about some employees' readiness to stay away from work on all sorts of pretexts should remember that practices such as taking four hour lunch breaks are no more guiltless. Such sessions are likely to provide bad examples.

Of course, such marathons are "to conduct business." But how much real business is carried out during the course of a four hour, 4,000 calorie session in which the drink flows freely? Maybe some, or a great deal, or none at all; but be sure the indulger in such sybaritic sessions is good for nothing afterwards other than to go sinuously home and irritate his wife.

To most people health refers only to bodily fitness. But mental happiness is just as important. If a man works hard and well, he should be rewarded. The surly, ungrateful senior is a poor thing and should expect results rendered in a similarly uncomplaisant manner.

Normal people can improve their attitudes, but the few psychopaths in management or in the workforce need not bother to make resolutions; a visit to a garage for a rebore is their only hope. Happily there are more sensible people than otherwise, both as commanders and followers. The morale of a military unit reflects the character of the commanding officer who, apart from providing an example of human excellence, should be known to his men as a man, not just as a name. In industry the same rules apply, and are ignored at the peril of all.

But let me be a little more cheerful. Britons are excellent people who can lead and who can rise above the suspect few. There seems to be a whisper of health and caring rustling in the arid forms and print-outs which plague us all — physicians as much as anyone else — and one must hope that this breeze will rise to a fresh and beneficial wind of normality. Thus my message is: be proud, enjoy life, both work and play, but be sensibly moderate in both; avoid reading the doleful words of medical Jeremiahs.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Jan. 2—12	Model Engineer Exhibition (0442 41221)	Wembley Conference Centre
Jan. 2—13	London International Boat Show (0932 54511)	Earls Court
Jan. 12—17	International Toy Fair (01-226 6653)	Harrogate
Jan. 15—17	International Domestic Electrical Appliances Exhibition (01-486 1951)	NEC, Birmingham
Jan. 23—30	HOTELYMPIA—International Hotel and Catering Exhibition (021-705 6707)	Olympia
Jan. 26—30	British Toy and Hobby Fair (01-701 7127)	Earls Court
Jan. 30—Feb. 1	Microsystems '80 Exhibition (01-261 8000)	Wembley Conference Centre
Feb. 4—7	INFEX—International Floorcoverings Exhibition (01-236 0913)	Hotel Metropole, Brighton
Feb. 6—8	Interflow '80—Fluid Handling Exhibition (01-680 7525)	Harrogate
Feb. 8—9	Cruft's Dog Show (01-493 7838)	Earls Court
Feb. 17—21	International Men's and Boys' Wear Exhibition—IMBEX (021-705 6707)	Olympia
Feb. 18—21	European Information Management Exhibition and Conference (01-995 4806)	Wembley Conference Centre
Feb. 25—29	International Electrical Exhibition (0483 222888)	NEC, Birmingham
Feb. 25—29	International Instruments, Electronics and Automation Exhibition (021-705 6707)	NEC, Birmingham
Feb. 25—29	International Pneumatics and Hydraulics Exhibition, including Compressors and Power Transmission Equipment (021-705 6707)	NEC, Birmingham
Feb. 26—28	Drawing Office Show—DOMMDA (01-242 3621)	Wembley Conference Centre
Feb. 29—Mar. 9	Camping, Outdoor Holiday Exhibition and Motor Caravan Show (01-262 2886)	Olympia

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Jan. 18—24	International Record and Music Publishing Market (01-499 2317)	Cannes
Jan. 19—27	International Boat Show (01-409 0956)	Dusseldorf
Jan. 19—27	International Commercial Motor Show	Geneva
Jan. 22—26	International Exhibition for Agricultural Mechanisation—AGROMEK	Herning
Jan. 25—Feb. 3	International Green Week (01-540 1101)	Berlin
Jan. 29—Feb. 1	Canada Farm Show	Toronto
Feb. 1—4	International Stationery Show—SIPPA (01-439 3964)	Paris
Feb. 1—10	International Boat Show	Vancouver
Feb. 2—5	International Textile and Fabrics Trade Fair—INTEREX	Sydney
Feb. 4—8	International Jewellery, Gold and Silver Exhibition—Jewelmex (01-580 5816)	Bahrain
Feb. 7—11	Men's Fashion Show—PITTI UOMO	Florence
Feb. 11—15	Environmental Pollution Control Techniques Exhibition—ENVITEC (01-409 0956)	Dusseldorf
Feb. 11—21	International Paris Boat Show (01-439 3964)	Paris
Feb. 17—21	Middle East Machinery, Light Industry and Plant Maintenance Show (021-454 4416)	Bahrain
Feb. 22—24	International Men's Fashion Week (01-409 0956)	Cologne
Feb. 26—29	World Fair of Technology Exchange—TECHEX (01-584 5749)	Copenhagen
Feb. 26—29	Offshore South East Asia Exhibition (01-486 1951)	Singapore
Mar. 2—9	International Agricultural Exhibition (01-439 3964)	Paris

BUSINESS AND MANAGEMENT CONFERENCES

Date	Title	Venue
Jan. 2	CCC: Tax Planning and the Boat Owner—How to reduce the costs (01-232 6362)	Carlton Tower, SW1
Jan. 6—11	University of Bradford: Managing Management Development (Bradford 42299)	Heaton Mount, Bradford
Jan. 6—11	InComTec: The Law in Industry and Commerce (0276 62677)	New College, Oxford
Jan. 7—11	CEI: International Programme for Senior Executives	Geneva
Jan. 8	HSCS: Structural Surveys (01-935 2382)	Royal Lancaster Hotel, W2
Jan. 9—10	FT Conference: Problems in Accounting (01-236 4382)	Inter-Continental Hotel, W1
Jan. 11—13	Nat. Centre for Alternative Technology: Self-Build (Machynlleth 2400)	Machynlleth, Powys
Jan. 14—15	HAI: Solar Energy in the '80s (01-602 2657)	London Penta Hotel
Jan. 14—17	NDA: International Materials Handling Conference and Exhibition (01-398 5352)	Ryl. Lancaster Hotel, London
Jan. 14—25	CEI: International Financial Management Seminar	Hong Kong
Jan. 15—16	Oyez IBC: Concrete '80—Conference and Exhibition (01-242 2481)	Wembley Conference Centre
Jan. 15—16	Henley Centre for Forecasting: Quantitative Techniques for Forecasting (01-353 9961)	2-4 Tudor Street, EC4
Jan. 16	BCI: Changing Nature of Middle East Trade (021-454 6171)	75 Harborne Road, B'ham
Jan. 21—22	FT Conference: The 1980 Euromarkets Conference (01-236 4382)	Inter-Continental Hotel, W1
Jan. 23	IPS: Purchasing Computers for the Small and First Time Users (0990 23711)	London
Feb. 26—27	FT Conference: British Business Opportunities Overseas (01-236 4382)	Grosvenor House, W1
Feb 28—29	FT Conference: Monopolies Mergers and Restrictive Practices (01-236 4382)	Munich

Letters to the Editor

'Refuseniks' and the Games

From Mrs. Rita Eker

Sir,—In the article headed "Olympian effort to polish Moscow's image" (December 19), your Moscow correspondent includes those who have applied to emigrate in his list of Soviet citizens likely to be sent out of the city at the time of the Olympics.

Soviet Jewish "refuseniks" reported at least a year ago that the 1980 Olympic Games, if held in Moscow, would cause them to be in additional danger and they begged members of the International Olympic Committee to move the Games elsewhere. Many attempts have been made to suggest that such fears were groundless but as the time of the Olympic Games approaches it seems they were all too correct.

I have asked Lord Killanin and other members of the IOC before, and through your columns I ask them again "what action do they propose to take if innocent Soviet citizens are arrested and thrown into psychiatric wards or into exile in Siberia just before, during or after the Games?

Are they willing to accept responsibility for their own actions and, if the consequence of the Games is that peaceful citizens are ejected from their homes, do they think that this is a fair price that they should pay in order that the athletes of the world should use a stadium in Moscow rather than any other available city?"

Rita Eker.
Campaign to Remove the 1980 Olympics from Moscow.
148, Granville Road, NW2.

The 'why work' syndrome

From Mr. V. S. Garston

Sir,—As the Government is trying to tackle the "Why work?" syndrome, I would like to put forward a suggestion that I have discussed with a number of people including trade unionists, who all think it would be worth trying.

I am in full agreement that people out of work should be paid unemployment benefit, but at the same time I am also of the opinion that these people should provide some community work or any other work that may need doing within their neighbourhood to the value of the money received.

Thus, if the national average earnings are, say, £2 per hour, then for every £2 benefit received the recipients should do one hour's work. As there are so many Councils who cannot maintain their houses or look after their roads properly, or any number of jobs within their jurisdiction, it should not be too difficult to find work for the number of people concerned.

The unions could not complain about this if these jobs had remained unfilled for any length of time.

I should think that a side benefit would be that the mere fact that recipients of unemployment pay should actually have to report to a specified place every day and carry out a task that may not necessarily be to their liking will persuade many that they could find a more congenial job and thus take the burden away from the taxpayer.

V. S. Garston.
18, Willifield Way, NW11.

The moving finger writes

From Mr. P. T. Humphrey

Sir,—I was fascinated by Jason Crisp's article on graphology on December 21. While I am sure that it was intended as a light-hearted Christmas offering, nevertheless, as a practising personnel professional at Board Level in the manufacturing industry, I have accepted over the past 15 years the contribution of the graphologist to the management selection process. Indeed it also has relevance in diagnosing problems in the managerial sphere.

I accept that the concept of the article was to entertain, but I am more concerned to know of the reaction of the "boss" of the three individuals concerned.

The main objective in using graphology is to try to obtain more insight into the character of individuals and their potential reaction within given work situations. As this is part of the managing process it is not a peer group or a marriage partner's comments that are required—it is yours.

Peter Humphrey.
*10 Ormerod Road,
Stoke Bishop, Bristol.*

Taxman's rights

From Mr. A. E. Gooding

Sir,—In their recent judgment on the Rossminster affair, the Law Lords expressed concern for further safeguards to protect individual liberty and the rights of privacy against the powers available to the Inland Revenue and other Government departments under present law.

The Rossminster "raids" were carried out under warrant. But under the Taxes Management Act 1970, the Revenue is permitted to enter and distrain on goods and chattels without the need for a court order. The Treasury advises that these powers are conferred by S61 of the Act, although the Collector of Taxes, Swindon, says they are conferred by S1.

According to the booklet "An Inspector at the Door" issued by the Adam Smith Institute and the National Federation of Self-Employed and Small Businesses, the Revenue may issue a warrant allowing officers to enter by force if necessary and with police if they think it appropriate.

Where are the safeguards to individual liberty and rights in such circumstances where no reference is required to a circuit judge, much less to a High Court judge, and the individual apparently has no prior right of appeal?

It would seem that all MPs must press to have this matter aired and redressed in the House. The present situation smacks of totalitarianism at its worst, and is surely contrary to the ideals for which so many of us fought successfully 40 years ago, and which the British Press at large has always so strongly supported.

A. E. Gooding.
*6 Blenheim Road,
London W4.*

The yellow peril

From Mr. D. W. T. Adamson

Sir,—I read with interest the article on December 3 in your executive health section, headed "The Yellow Peril."

As I had a bout of infective hepatitis (Virus A) 18 months ago one point I would take issue with, or would like some clarification on, is the point that Dr. Carrick makes that hepatitis sufferers must never again give blood.

I am also a blood donor and as soon as I knew I had hepatitis I informed the Blood Transfusion Service. They told me that very recently a method has been devised to test whether a former hepatitis sufferer was still a virus carrier or not and asked me to report in 12 months' time for tests.

This I did and at the same time gave a pint of blood. So far I have not been told that I will be unwelcome.

D. W. T. Adamson.
*4, Beech Lane,
Great Missenden, Bucks.*

Cars of the future

From Mr. F. C. Mills

Sir,—Thank you for article, "Engineers should stop bitching" by David Fishlock on Tuesday, December 18.

As a layman, I think there is potential for the hybrid vehicle (petrol-electric) which has been with us before, but not in conjunction with the Wankel Rotary Engine, which could have a future with the assistance of the electrical side, due to its being light and compact.

F. C. Mills.
Northolt, Middlesex.

NEW YEAR TV and RADIO

NEW YEAR'S EVE

BOTH BBC and ITV finally *seem to have taken to heart* the bitter annual complaints that the tat which they provide on New Year's Eve is even worse than the rubbish they offer on most Bank Holidays. True, both BBC 1 and ITV are still "going north of the border" at midnight for one of those dreadfully embarrassing "Och noo McSporran" shows (awful not because they are Scottish but because they are always so inept) but earlier on the embarrassment is—almost—of riches.

For children ITV starts a new serial called *The Ravelled Thread* about a gang of street urchins in 19th century Portsmouth led by ex Artful Dodger Jack Wild who does not *(luckily!) look his true 27; and* BBC 1 has put together its excellent *Pinocchio* series to make one long complete programme.

Then at 8.25 the BBC *wheels* out one of its carefully husbanded "new-to-TV" movies: Sidney Lumet's *Murder On The Orient Express* with its astonishing cast headed by Albert Finney as Hercule Poirot and including everyone from Lauren Bacall to Michael York travelling on Agatha Christie's ill-fated train. It is clearly vastly preferable to ITV's movie *Carry On Dick*.

Finally, in the run up to midnight, there is a difficult choice between *The "Will Kenny Everett Make It To 1980?" Show* on ITV and BBC 1's *The Seventies Stop Here!* which is introduced by Penelope Keith—the lady who stars tomorrow night in ITV's *Donkey's Years*. The BBC 1 show is a rich stew of clips from *programmes during the last* decade ranging from *Morecambe and Wise* to *The Ascent of Man*, taking in The Goodies and Olga Korbut on the way.

BBC 1

† Indicates programme in black and white

10.00 am What a Mess. 10.05 Jackanory. 10.20 Captain Cavemen. 10.30 Why Don't You . . . ? 10.55 Magic Roundabout. †11.00 Zorro. 11.25 Mickey Mouse Club. 11.55 Greatest Heroes of the Bible. 12.45 pm Midday News. 1.00 Year of the Horse. 1.50 How Do You Do? 2.05 "Meet Me In St. Louis": film with Judy Garland. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Touché Turtle. 4.25 Jackanory. 4.35 Playhouse. 5.10 Blue Peter Review of the Year.

5.40 Evening News.
5.50 Tom and Jerry.
6.00 Pinocchio by Carlo Collodi.
7.35 Larry Grayson's Generation Game.
8.25 "Murder On The Orient Express."
10.30 News.
10.40 *The '70s Stop Here!* Highlights of the year.
12.00 Big Ben.
12.01 am A Toast to the '80s: Scottish welcome to the New Year.

All Regions as BBC 1 except at the following times:—

Wales—1.50-2.05 pm Pili Pala. 5.50 Wales Today. 5.55 The Seventies. 6.30 Newyddion. 6.35-7.35 Rhaglen Hywel Gwynfryn.

Scotland—5.50-6.00 pm Scottish News. 12.50-12.55 am Prologue for 1980.

Northern Ireland—3.53-3.55 pm Northern Ireland News.

England—5.50-6.00 pm Regional News (except London and South-East). Tom and Jerry (London and South-East).

BBC 2

11.00 am Play School.
2.05 pm Petrushka: puppets, and music by Stravinsky.
2.25 Turn-Round: 36 hours with the QE2.
3.15 International *Basketball*.
3.55 New Year Matinee: "The Singing Nun," starring Debbie Reynolds and Greer Garson.
5.30 The Chinese Nightingale.
5.40 Atoms for Enquiring Minds. The Royal Institution's Annual Christmas Lectures for Young People. A Circus of Experiments by Professor *Eric M. Rogers*.
6.40 Cricket: Australia v West Indies.
7.10 The Brothers Lionheart.
7.35 Mid-evening News.
7.45 Schools Prom.
8.25 *The World About Us*: celebration of survival in the New Forest.
9.15 News on 2.
9.25 Things to Come: Hopes for the 1980s.
10.00 The Old Grey Whistle Test.
†10.40 "Sunset Boulevard": film starring William Holden, Golria Swanson, Erich von Stroheim.
12.25 am Music at Night.

LONDON

9.30 am Cartoon Time. 9.35 The Legend of Los Tayos. 10.25 Starbird and Sweet William. 11.55 The Bubblies. 12.00 Jamie and the Magic Torch. 12.10 pm Rainbow. 12.30 Thundercloud. 1.00 News at One. 1.20 Thames News. 1.30 Survival Special. 2.30 Captains Courageous. 4.15 Clapperboard. 4.45 The Ravelled Thread. 5.15 University Challenge International.

5.45 News.
6.00 Thames News.
6.30 Give Us a Clue.
7.00 The Jim Davidson Special.
7.30 Coronation Street.
8.00 Max with Love.
9.00 Carry on Dick.
10.40 ITN News.
11.00 The "Will Kenny Everett Make It To 1980? Show.
12.00 Hogmanay Show.

All IBA Regions as London except at the following times:—

ANGLIA

9.45 am The Coral World. 10.35 Chopper Squad. 11.25 Dynomutt the Dog Wonder. 11.50 Cartoon Time. 1.25 pm Anglia News. 6.00 About Anglia. 12.00 am The First Day of the Year Show. 12.30 New Year Message.

ATV

9.40 am Sesame Street. 10.40 Wilkie in Winter. 11.05 Monsters and Other Scary Things. 11.30 Bailey's Bird. 12.30 pm George Hamilton IV. 1.20 ATV Newsdesk. 6.00 ATV Today.

BORDER

10.30 am Stars in Their Eyes. 11.15 The Making of Star Wars. 1.20 pm Border News. 6.00 Lookaround Monday. 6.15 Cartoon Time. 10.40 News and Border Weather. 12.00 am The First Day of the Year Show.

GRAMPIAN

9.25 am First Thing. 9.30 Treasure Island. 11.00 Survival Special. 1.20 pm Grampian News. 1.30 The Dancing Years. 6.00 Grampian Today and Area Weather. 6.05 Top Club. 11.45 Welcome to the Hogmanay Ceilidh. 12.30 am Reflections: Presented by the Rev. Dr. Alan Main, Chaplain to the University of Aberdeen.

GRANADA

9.30 am Sesame Street. 10.25 Tarzan. 11.15 The Making of Star Wars. 12.30 pm The Rolf Harris Show. 1.20 Granada Reports. 6.00 Granada Reports. 12.00 am Hogmanay.

HTV

9.40 am Kum Kum. 10.05 Stars on Ice. 10.30 Shinbone Alley. 11.50 The Animates. 1.20 pm Report West Headlines. 1.25 Report Wales Headlines. *6.00 Report West. 6.25 Report Wales.*

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 pm Penawdau Newyddion y Dydd. 4.45-5.15 Bailey's Bird. 6.00-6.25 Y Dydd.

HTV West—As HTV General Service except: 1.25-1.30 pm Report West Headlines. 6.25-7.00 Report West.

SCOTTISH

9.25 am "Lassie—The New Beginning." 11.00 Dinah Saur. 11.15 The Making of Star Wars. 12.30 pm The Sullivans. 1.25 News, Road and Weather Report. 1.30 The Dancing Years. 6.00 Scotland Today and John Toye with Crimedesk. 10.45 Scottish News. 11.00 Soap. 11.30 The Last Day of the Year Show. 12.00 am The First Day of the Year Show with Stanley Baxter. 12.30 Late Call.

SOUTHERN

9.30 am The Oregon Trail. 11.15 The Making of Star Wars. 1.20 pm Southern News. 6.00 Day by Day. 12.30 am Weather forecast followed by Only a Few Know (about the nationwide *initiative in evangelism*).

CHANNEL

12.30 pm The Rolf Harris Show. 1.20 Channel Lunchtime News, What's On Where and weather. 6.00 Report at Six.

TYNE TEES

9.20 am The Good Word and North East News Headlines. 9.30 Sarah, Sarah Get Me a Pig. 10.30 Celebrity Concert: Diahann Carroll. 11.30 Everyday Life in the Arctic. 1.20 pm North East News and Lookaround. 6.00 Northern Life. 12.00 The First Day of the Year Show. 12.30 am Epilogue.

ULSTER

10.25 am Bailey's Bird. 10.50 In Search of . . . Atlantis. 11.15 The Making of Star Wars. 12.30 pm George Hamilton IV. 1.20 Ulster News Headlines. 1.22 Cartoon Time. 6.00 Ulster Television News. 6.05 An Eye on the Eighties. 12.00 Hogmanay. 12.30 am News at Bedtime.

WESTWARD

9.40 am Spy Extraordinary. 10.05 *Feature Film*: "The Millionairess" staring Sophia Loren and Peter Sellers. 11.35 The Lost Islands. 12.27 pm Gus Honeybun's Birthdays. 12.30 The Rolf Harris Show. 1.20 Westward News Headlines. 6.00 Westward Diary and Sports Desk. 10.57 Westward Late News. 12.00 The First Day of the Year *Show*. 12.30 am *Faith for Life*. 12.35 West Country weather and shipping forecast.

YORKSHIRE

9.30 am Doctor Dolittle. 12.30 pm The Mary Tyler Moore Show. 1.20 Calendar News. 6.00 Calendar (Emley Moor and Belmont editions). 12.00 am The Hogmanay Show.

RADIO 1

(S) Stereophonic broadcast

5.00 am As Radio 2. 6.00 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul *Burnett including 12.30 pm Newsbeat.* 2.00 pm Andy Peebles. 4.31 Kid Jensen including. 5.30 Newsbeat. 7.00 The Return of B. A. Robertson. Scottish sounds for Hogmanay. 9.50 Newsbeat. 10.00 Blondie in Concert at the Apollo Theatre, Glasgow (S). 10.45 Adrian Juste: Party music and gags (S). 2.00 am-5.00 am As Radio 2.

RADIO 2

5.00 am News Summary. 5.03 Cricket: Australia v West Indies. 5.04 *Steve Jones (S) including 6.03, 7.03* Cricket. 6.15 Pause for Thought. 7.32 Terry Wogan (S) including 8.03 Cricket; 8.27 Racing Bulletin; 8.45 Pause for Thought. 10.03 Jimmy Young (S). 12.15 pm Waggoners' Walk. 12.30 Pete Murray's Open House *(S) including 1.45 Sports Desk.* 2.15 David Hamilton (S) including 2.45, 3.45 Sports Desk. 4.15 Much More Music (S) including 4.45 Sports Desk. 5.00 News. 5.05 Waggoners' Walk. 5.20 John Dunn (S) including 5.45 Sports Desk. 6.45 Sports Desk. 7.02 Music from the Movies (S). 7.30 Alan Dell with The Dance Band Days and at 8.02 The Big Band Sound (S). 9.02 Humphrey Lyttelton with the Best of Jazz (S). 9.55 Sports Desk. 10.02 Jim Macleod and his Band for Hogmanay. 11.02 Ray Moore with The Late Show, including 12.00 midnight Big Ben; 1.02, 2.02 am Cricket: Australia v West Indies. 2.03-5.00 am You and the Night and the Music (S) with Geoff Bennett, including 3.02, 4.02 Cricket.

RADIO 3

‡Medium Wave

6.00 am Test Match Special: Australia v West Indies. 7.05 Weather. 7.10 News. 7.15 Overture Concert, part 1: Bach, Schumann, Vaughan Williams (S). 8.00 News. 8.05 Concert (part 2): Bach, Britten, Schubert, Elgar, Haydn. *9.00 News. 9.05 This Week's Composer*: Rossini (S). 10.00 Andras Schiff Piano recital (part 1): Bartok, Schubert (S). 11.00 Interval Reading. 11.10 Recital (part 2): Scarlatti, Mozart. 12.15 pm St Albans Festival 1979 Concert (part 1): Haydn, Brown (S). 1.00 News. 1.05 St Albans Festival 1979 (part 2): Jacob, Mozart (S). 1.50 Schubert Songs, Polish Songs (S). 2.30 Matinee Musicale (S). 3.30 New Records of music by Weber, Bruckner (S). 5.00 Franz Schmidt Chamber music (S). 6.15 Borges at 80: Portrait of the Argentine writer Jorge Luis *Borges* (S). 7.30 *The Ring of the Nibelung*: Wagner's epic tetralogy on records "The Rhinegold" (S). 10.35 Beethoven and Chopin Piano recital (S). 11.25 Jazz in Britain (S). 11.55 News. 12.00 Big Ben: Welcome to the New Year. 12.05-2.00 am Test Match Special.

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping Forecast. 6.30 Today, including 6.45 Prayer for the Day: 7.00, 8.00 Today's News: 7.30, 8.30 News Headlines; 7.45 Thought for the Day. 8.45 Lady Into Fox. 9.00 News. 9.05 Start the Week and Stop the '70s with Richard Baker. 10.00 News. 10.05 Money-Box. 10.30 Daily Service. 10.45 Little Women. 11.00 News. 11.05 1880: look back to *Victorian times*. 11.50 *Letters from Everywhere*. 12.00 News. 12.02 pm You and Yours. 12.27 Lord Peter Wimsey. 1.00 The World at One. 1.40 The Archers. 2.00 News. 2.02 Woman's Hour 1979. 3.00 News. 3.02 Listen with Mother. 3.15 Afternoon Theatre (S) "The Happiest Days of Your Life," by John Dighton. 4.45 Short Story. 5.00 PM. 5.50 Shipping Forecast. 6.00 The Six O'clock News. 6.30 Give or Take (S). 7.00 News. 7.05 The Archers. 7.20 Science Now. 8.00 The Monday Play: "You Never Can Tell," by Bernard Shaw. 9.30 Kaleidoscope: Andre Previn. 10.00 The World Tonight. 10.30 A Year of Sport: a look at 1979. 11.15 Year Ending (S): an irreverent eye on the year's news. 12.00 Big Ben and Meditation for the New Year: Watchnight Service. 12.15-12.23 am Shipping Forecast.

Kenny Everett: ITV 11 p.m.

RACING

Gerby to end 1979 a winner

BY DOMINIC WIGAN

RACING ushers out 1979 quietly today with two minor fixtures at Warwick and Catterick, though there is a course inspection at Warwick at 7.30 this morning.

The best bet on the programme at the Midlands meeting, assuming that racing takes place is Gerby in Division II of the Bob Cratchit Novices Hurdle (3.30). Though this gelding is not one of the leading lights in Fred Winter's string, he has been performing consistently throughout the season, and his experience is *likely to be too much for the* opposition.

Ben Nevis, who patently failed to stay four miles when well backed for the St. Helens Handicap Chase at Haydock at the *end of last month*, reverts to a shorter distance in the Christmas Carol Handicap Chase (2.30). He holds a clear chance, even with 12 st in the saddle. cmfwetaocmf saddle, if he reproduces his form here on November 27 when he trailed Coral Welsh Grand National winner Peter Scot by only half a length, despite conceding 10 lbs.

At Catterick it would be a mistake to oppose Vascar in the Dick Whittingham Handicap Hurdle (1.45). Admittedly, Vascar has a 10 lb penalty, but even so he has only 10 st 7 lbs to carry

WARWICK

1.30—Aalco
2.00—Pardon
2.30—Ben Nevis*
3.00—Open Fire
3.30—Gerby**

CATTERICK

12.45—Kasmoun
1.15—Four Star
1.45—Vascar***
2.15—Blue Chrome

NEW YEAR'S DAY

BBC 1

† Indicates programme in black and white

9.45 am Trumpton. 10.00 What a Mess. 10.05 Jackanory. 10.20 Captain Cavemen. 10.30 Why Don't You . . . ? 10.55 Magic Roundabout. †11.00 Zorro. 11.25 Greatest Heroes of the Bible. 12.13 pm Weather.

12.15 Grandstand: Football Focus (12.20): Racing from Cheltenham (12.40, 1.05, 1.40, 2.15); *Basketball* (1.25) The Philips World Invitational Club Championships Final; Ski-jumping from Garmisch (2.00-2.50); Cricket: Australia v West Indies (2.40) The Second Test (highlights).
3.05 Alec Guinness in "Tinker, Tailor, Soldier, Spy" (Part 2).
5.40 Today's Sport (London and South-East only).
5.45 News.
5.55 "That's The Way It Is," starring Elvis Presley.
7.30 "Hi De Hi" (play by Jimmy Perry, David Croft).
8.10 *The Little and Large* Show.
8.55 News.
9.05 "The Odessa File," starring Jon Voight and Maximilian Schell.
11.10 Films of the Year.
11.50-12.00 Weather / Regional News.

All Regions as BBC 1 except at the following times:—

Wales—9.40-10.00 am Dillad Newydd Y Brenin. 5.40-5.45 pm Today's Sport. 5.55 The Sporting Seventies. 6.55 Wales Today. 7.05 Iris Williams sings favourite songs. 7.35 Newyddion. 7.40-8.10 Pobol Y Cwm. 11.50 News and Weather for Wales.

Scotland—5.40-5.45 pm Today's Sport. 8.10 Tom and Jerry. 8.20-8.55 Golden Fiddle Rally (Kelvin Hall highlights). 11.50 News and Weather for Scotland.

Northern Ireland—5.40-5.45 pm Northern Ireland News; Sport. 11.50 News and Weather for *Northern Ireland*.

England—5.40-5.45 pm Regional News and Sport (except London and South-East).

BBC 2

11.00 am Play School.
2.35 pm The Nutcracker and The Mouse King with music by Tchaikovsky.
2.55 New Year Matinee: "The Wonders Of Aladdin," starring Donald O'Connor, *Noelle Adam, Vittorio De Sica*, and at 4.25 "The Glass Slipper," starring Leslie Caron and Michael Wilding.
5.55 Atoms for Enquiring Minds.
6.55 The Brothers Lionheart.
7.20 Mid-evening News.
7.35 Cricket: Australia v West Indies (highlights).
8.05 Ten For Survival: cartoon to celebrate the International Year of the Child.
9.05 The New Year's Day Concert from Vienna of music by the Strauss family.
10.05 Late News.
10.15 Brubeck: The Dave Brubeck Quartet and guest Annie Ross.
†11.00 "La Grande Illusion," starring Erich von Stroheim, Jean Gabin and Pierre Fresnay.
1.00 am Music at Night.

LONDON

9.30 am Cartoon Time. 9.35 Untamed Frontier. 10.00 Simon in the Land of Chalk Drawings. 10.10 Pipkins. 10.25 Get It Together. 11.00 Cartoon Time. 11.05 Little House on the Prairie. *11.55 The Bubblies. 12.00 Sailing* Above the Alps. 12.30 pm The Sullivans. 1.00 News. 1.05 Daredevils. 2.00 "Where Time Began," starring Kenneth More. 3.30 Charlie's Angels. 4.30 Mr. and Mrs.

5.00 ITN News and Sport.
5.15 "Paint Your Wagon," starring Lee Marvin, Clint Eastwood and Jean Seberg.
8.00 The Likes of Sykes.
9.00 Donkey's Years.
10.30 News.
10.45 David Frost's New Year Special.
12.00 Superstar Profile: Clint Eastwood.
12.25 am Close: Personal Choice with Cyril Luckham.

All IBA Regions as London except at the following times:—

ANGLIA

9.30 am The Puppy Who Wanted a Boy. 11.00 BJ and the Bear. 12.30 am New Year's Day Carol.

ATV

11.00 am 1979 Human Rights Day Concert. 12.30 am The Entertainers (The Wurzels). 12.00 Something Different.

BORDER

9.30 am The Puppy Who Wanted a Boy. 11.00 The Beachcombers. 11.30 Clue Club. 12.00 midnight Police Surgeon.

GRAMPIAN

9.25 am First Thing. 1.05 pm The Last Day of the Year Show. 2.05 Feature Film: "High Society" starring Bing Crosby, Frank Sinatra and Grace *Kelly*. 4.00 Kum Kum cartoon. 8.00 Thingummyjig. 12.30 am Reflections.

GRANADA

9.30 am The Puppy Who Wanted a Boy. 9.50 Cartoon. 11.10 The Incredible Hulk. 12.00 In Concert with *Madelaine Bell*.

HTV

9.30 am Kum Kum. 11.00 The Bionic Woman.

HTV Cymru/Wales: As HTV General Service except—10.45-11.45 pm Bywyd. 11.45-12.15 am Mind Your Language.

SCOTTISH

9.15 am Call It Macaroni. 9.35 The *Puppy's Great Adventure*. 10.25 World of Wizards. 11.15 Glen Michael's New Year Cavalcade. 12.00 Welcome to the *Hogmanay Ceilidh*. 12.45 pm *Good News for Ne'erday*. 3.35 The Will Kenny Everett Make It To 1980 Show. 8.00 Thingummyjig. 12.00 Late Call. 12.05 am Sailing Over The Alps.

SOUTHERN

9.30 am Puppy Cartoon. 9.55 Cartoon. 11.00 1979 Human *Rights* Day Concert. 12.00 midnight George Hamilton IV.

TYNE TEES

9.25 am The Good Word. 9.30 Children of the Lotus. †11.00 Morning Movie: "King Solomon's Mines" staring Cedric Hardwicke. 1.05 pm 1979 Human Rights Day Concert featuring the Children's Orchestra of Bulgaria. 12.00 Casino de Paris. 12.55 am Epilogue.

ULSTER

11.00 am Me and Mr. Thorne. 4.58 *Ulster Television News*. 11.45 *Soap*. 12.15 am News at Bedtime.

WESTWARD

9.25 am Faith for Life. 9.30 The Puppy Who Wanted a Boy. 9.50 Cartoon (Popeye). 11.00 Chips. 11.57 Gus Honeybun's Birthdays. 12.25 am Faith for Life. 12.30 *West Country* Weather and Shipping forecast.

YORKSHIRE

9.30 am The Puppy Who Wanted a Boy. 9.50 Popeye. 11.00 The Steve Jones Game Show. 12.00 midnight George Hamilton IV.

RADIO 1

(S) Stereophonic broadcast
‡Medium wave

5.00 am As Radio 2. 6.00 Dave Lee Travis looks forward to 1980. 9.00 Simon Bates. 11.31 Paul Burnett. 2.00 pm Andy Peebles (S). 4.31 Kid Jensen (S). 7.00 Personal Call. 8.00 Mike Read. 9.50 Newsbeat. 10.00 John Peel (S). 12.00-5.00 am As Radio 2.

RADIO 2

5.00 am News Summary. 5.02 Cricket: Australia v West Indies (report). 5.03 Steve Jones (S) including 6.02, 7.03, 8.03 Cricket and 6.15 Pause for Thought. 8.04 Terry Wogan *(S)* including 8.27 Racing Bulletin. 10.02 David *Hamilton (S)*. 11.30 Johnny *Mathis* sings songs of the 70s (S). 12.30 pm The News Huddlines Looks at the 70s (S). 1.30-6.00 Sport on 2 Special: Football Special (1.30, 2.15, 2.40, 3.00, 3.20, 3.45, 3.50, 4.42 and at 5.00 classified check; Test Cricket (1.30, 2.10, 5.30) Australia v West Indies; Tennis (1.30, 2.15, 2.45, 3.05, 4.50, 5.30) WCT Braniff World Doubles Championships; Racing from Cheltenham (1.30, 2.20, 4.50, 5.45); A Year of Spot (2.00, 2.45, 3.10); Sports Report (5.00). 6.03 Puss-in-Boots. 7.02 Des O'Connor says Thank You for the *Music (S)*. 9.02 Tuesday Night is Gala Night (S). 10.02 Variety Club. 11.02 Sports Desk. 11.10 Brian Matthew with Round Midnight, including 12.00 News and 1.02, 2.02 Cricket: Australia v West Indies (reports). 2.03-5.00 You and the Night and the Music (S) including 3.02, 4.02 Cricket.

RADIO 3

6.00 am Test Match Special: Australia v West Indies. 7.05 Weather. 7.10 News. 7.15 Overture Concert, part 1 (S). 8.00 News. 8.05 Concert, part 2. 8.55 Rural Rhymes. 9.00 News. 9.05 *This Week's Composer: Rossini (S)*. 10.00 New Year's Day Concert direct from Vienna (S), including 10.50 Interval Reading. 1.00 pm News. 1.05 Six Continents. 1.30 Jazz Today (S). 2.00 "Hymenaeus," opera in three acts by Handel. Act 1 (S). 3.00 In Short (talk). 3.10 "Hymenaeus," Acts 2 and 3 (S), including 3.55-4.00 Interval Reading. 5.00 Haydn in London (S). 6.00 Michael Tippett: Portrait in words and music for his 75th birthday (S). 7.00 Bach: Christmas Oratorio (S). 7.30 Award Winners: "Wings": play by Arthur Kopit (S). 8.30 Beethoven String Trios, Op 9, part 1 (S). 9.00 Black Christianity in South Africa. 9.20 Beethoven String Trios, Op 9, part 2 (S). 10.15 The Earthquake in Chile. 11.00 Janacek concert (S). 11.55 News. 12.00-2.00 am Test Match Special: Australia v West Indies.

RADIO 4

6.25 am Shipping forecast. 6.30 Today, including 6.45 Prayer for the Day; 7.00, 8.00 Today's News; 7.30, 8.30 News Headlines; 7.45 Thought for the Day. *8.45 Lady Into Fox*. 9.00 News. 9.05 Red Arrows: *The life of a front-line pilot (S)*. 9.45 Jeremy Taylor Revisits South Africa. 10.00 News. 10.05 The '70s by the 80s (Views by octogenarians) 10.30 Daily Service. 10.45 Turn of the Year: Bric-a-brac with Richard Briers. 12.00 News. 12.02 pm You and Yours. 12.30 Down Your Way. 12.55 Weather; programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Listen With Mother. 3.15 Afternoon Theatre (S). 4.10 Bookshelf. *4.40 Announcements. 4.45 Short Story.* 5.00 PM: News magazine. 5.50 Shipping forecast. 5.55 Weather; programme news. 6.00 News. 6.30 Just a Minute (S). 7.00 News. 7.05 The Archers. 7.20 Schools Prom (S). 8.05 In Touch. 8.30 1880. 9.15 From Our Own Correspondent. 9.30 Kaleidoscope: *Interview with Sir Michael Tippett.* 9.59 Weather. 10.00 The World Tonight. 10.30 Frank Muir Goes Into . . . Celebrations (S). 11.00 A Book at Bedtime: "Lord of the Flies," by William Golding (1). 11.15 The Underwater Towering Inferno (S). 12.00 News.

F.T. CROSSWORD PUZZLE No. 4,162

ACROSS

1 Seat vicar gets in auction (6)
4 Escort for you and me and her to eastern ship (8)
10 Bouquet from students' carnival in the country (9)
11 Praised endlessly for increase in wages (5)
12 London district is also hospitable to some extent (4)
13 Initially caught sweetheart to marry, but it's not a lovers' knot (5-5)
15 Car wire arranged for fliers (7)
16 Sail in river in flood (6)
19 Exercise with not so much on (6)
21 Draw a pussyfoot with a broken cart (7)
23 Discourage a series of lessons that should be in the foundation (4-6)
25 Notion from a riverside academy (4)
27 Explosive ingredient in can returned to soldiers (5)
28 Wrongly earns foreign currency that's reproductive (9)
29 Not working, it's obvious (8)
30 Mean to be spotted (6)

DOWN

1 Flatter gentle detergent (4-4)
2 Prime mover from a dry shore (4-5)
3 The French way to produce fat (4)
5 Put aside as books may be (7)
6 Land and race in terminal (5-5)
7 Live way-out around the south (5)
8 Observe article being agitated (6)
9 Inspiration from certain flowers (6)
14 Staff stop to verify (5-5)
17 Might finish Pole coming up in grass (9)
18 Acting with secrecy to snatch what belongs to you (8)
20 Particle that could make one turn (7)
21 Agree when posted (6)
22 A fellow is a dandy (6)
24 Vehicle taking doctor over hill (5)
26 Land included in this ledger (4)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

THE ARTS

The year in opera by MAX LOPPERT

The picture of British opera in *1979 is as dramatically* composed as a Romantic skyscape—bright sunshine and dark clouds in various parts of the foreground, forked lightning flashing *across the horizon.* Yet again it needs to be repeated that the cause of the unsettled weather conditions is, of course, the intended reductions in the amount of State support for the most expensive and therefore most vulnerable of the performing arts; the knowledge that the various Arts Council grants are not to keep pace with the rate of inflation (and may well be severely cut in the years to come) has disturbed the prospects of every major British company. At a time when opera has never been more widely popular across the country, and when there is sufficient evidence *of healthy standards to be* gathered at most levels of per*formance, the sinister con*junction of raised VAT and diminished grants threatens every gain.

*The Royal Opera is the cost*liest and most endangered of all the British companies. Much effort has been expended in finding sponsors from the world of commerce and in reducing production costs (of the two new productions in the period under review, two were loans—*The Migac Flute* from Munich, *Werther* from the English National Opera). The spectacle of the company attempting to mend its ways *after the extra*vagant production habits of *recent years is not an unpleas*ing one—and would be even more impressive for being supported by a sense of artistic identity strong enough to withstand all external buffetings. All too often during 1979 it seemed that the Royal Opera was completely lacking in artistic identity of any kind except as fortuitously supplied by the line-up of international conductors — Solti, Maazel, *Carlos Kleiber (whose Bohème* was memorable), Karl Böhm *(whose Cosi was not), and* several newcomers who proved a good deal less than "name" properties — and haphazardly chosen casts. (When singers' fees continue to provide the single largest entry in the Covent Garden budget, one is entiled to wonder why their selection is so often unsatisfac*tory.*)

Standards of revival varied wildly. On one and the same evening, for instance, there was a *Cavalleria rusticana* subsequently nominated by the editor *of Opera* as "one of the most awful performances of any opera at the Royal Opera House in recent years," in tandem with a *dramatically taut Pagliacci* headed by the towering Canio of Jon Vickers and the magically elfin Nedda of Teresa Stratas. The "original" new productions of the house continued the tale of imperfect achievement: *Parsifal* a disaster on every count except the purely *musical. The Rake's Progress* distinguished by Colin Davis' conducting but too *fussily pro*duced, the world première of Tavener's *Therese* a committed account of a work of doubtful merit. My own happiest memories are of individual performers—Ileana Cotrubas as Norina and Mimi, Geraint Evans as Pasquale, Renato Bruson in *Luisa Miller. Donald Gramm's* Nick Shadow, Elizabeth Vaughan's Electra brightening a dismal *Idomeneo*. Thomas Allen magnificent as Billy Budd——rather than of rounded, whole performances.

The Royal Opera and the English National Opera are rather like London's two major theatre companies — while one stumbles, the other forges ahead. Not that the ENO has been spared problems of artistic identity and questions of cogent *leadership (the resignation was* announced last month of Charles Groves as musical director); but success in a wide-ranging repertory — Janacek's *Mr. Broucek*, Shostakovich's *The Nose* (a New Opera Company co-production conducted by the composer's son), and recent performances of Martinu's *Julietta* and *The Turn of the Screw* (a gamble *that paid off)*—coupled with a radiant *Manon* and a dazzling Handelian treat in *Julius Caesar*, all added up to a winning streak.

The new *Aida*, heavy in design and vulgarly embellished, is not beyond redemption. Valerie Masterson, whether in Massenet, *Traviata*, or Handel, proclaimed *herself* complete mistress of the stage. When Charles Mackerras was conducting Janacek, Martinu, and Handel, or Mark Elder *(the ENO conductor-elect)* Verdi, it was tempting to forget *those other, less gratifying even*ings when the playing was thin, the chorus straggly, and the quantity of backstage clatter hardly endurable. And easy to dismiss the memory of an appalling *Dido and Aeneas.*

But the palm for sustained *company achievement* must go to the Welsh. A year that in*cludes Tristan und Isolde* conducted by Reginald Goodall, with a youthfully lustrous new Isolde in Linda Esther Gray, is already an *annus mirabilis* (the best that can be said of the production, by Peter Brenner, is that it never got in the way of the music). The WNO capped *such a year with a season*, the first in London for many years, at the Dominion Theatre, showing there new or recent successes—*The Makropoulos Case*, the first version of *Butterfly*, the rousing, highly dramatic *Ernani* produced by Elijah Moshinsky and conducted with Verdian *mastery by Richard Armstrong*, and *Tristan*—the last less suit*ably heard in a theatre without* a pit, though still recognisably the work of the greatest living Wagner conductor.

*In all, the feeling of disci*plined excitement, of a balance between musical and theatrical values, was strongly apparent—one must pray that it is retained, and not sacrificed in pursuit of the pseudo-complex painstakingly rehearsed theatricality proposed in such things as the *WNO Elektra. There must be* a word for something the com*pany did well on the smallest* scale. Michael Geliot's earthy Offenbach Double Bill, built to tour the smaller theatres, afforded an evening of zestful, delightful melody and a cutting satirical edge.

For the Scots the period was noticeably less happy than in previous years. Something—it was hard to say exactly what, though rumours of inter-administrative discord have been heard—seems to have gone wrong. Whether heard in the Theatre Royal, Glasgow, or in Gluck's *Orfeo* and *Don Giovanni* during the Scottish Opera season at Sadler's Wells in November, conducting of Alexander Gibson seldom recaptured its once-familiar thorough-going character. Tricksy production, in the modern style, tended to replace the former Scottish combination *of inventiveness and good sense.* The "punk" *Rigoletto* was *spiritedly defended in these* columns by Ronald Crichton; *but for David Pountney's Don Giovanni* and Peter Ebert's *Orfeo* any defence was out of the question—they departed from the requirements of the libretto in ways that were unmusical, ill-considered, and often simply stpuid. The new *Katya Kaba*, *nova* earlier in the year, another Pountney staging, was considerably less self-indulgent, *although the signs were already* there.

At *the 1979 Edinburgh Festi*val—John Drummond's first as director, simultaneously a Diaghilev Celebration and an all-British opera season — Scottish Opera mounted a new *Eugene Onegin*, markedly less well received than its revivals of *The Golden Cockerel* and *The Turn of the Screw.* The other mainstay was Kent Opera, in its first-ever visit to Edinburgh and also in its tenth anniversary year. Vindication of the company's pared-to-the-bone, musically authentic methods proved less triumphant than supporters might have wished; the first performance of the Jonathan Miller-produced *Traviata, troubled both by a* disturbed audience and by Jill Gomez's indisposition, was a drab, Northern-spirited affair, unsympathetically conducted by Roger Norrington. In its first Sadler's Wells visit, in April, Kent exhibited its admirable *Rigoletto* and Monteverdi *Return of Ulysses* alongside an *Idomeneo*, praised elsewhere, *that I found undersung and* (by Norrington) over-interpreted. The feeling was unavoidable that Kent Opera was best encountered in its basic *performing circumstances* — on tour, and in a small theatre with limited resources.

It is too early to predict the future of the Buxton Festival; the very first year, a Walter Scott Festival built around *Lucia di Lammermoor*, was disturbed by a rout of singers' illnesses. Glyndebourne, on the *other hand*, appeared *surer of* purpose than ever. There were *golden revivals of the Peter Hall* productions of Monteverdi's *Ulisse* (Frederica von Stade and Richard Stilwell nobly replacing Janet Baker and Benjamin Luxon) and *Così fan tutte*, and of John Cox's witty *Schweigsame Frau*, worthy now (as it was not when first seen) to be added to the honourable Glyndebourne list of Strauss rediscoveries. Some *criticised* the new *Fidelio* for being vocally unworthy of Hall's great inventiveness; and by the first Haydn opera in Sussex, *La fedeltà premiata*, given as if in the form of an Esterháza house-party charade, opinion was neatly divided. I though it a bore—a difficult *but interesting opera* crippled by a flippantly untrust*ing production.*

Another short London season, this time at the Old Vic, was given by English Music Theatre, newly cut off from Arts Council support. The programme—a new opera, *An Actor's Revenge* by Minoru Miki, and Mozart's *La finta giardiniera*—and the performance might have been expressly designed to illustrate the wrong-headedness *of that* decision. For English National *Opera North, in its second* Leeds season, local coffers continued to open, though without guaranteeing a secure future. Nowhere in this country is money being more worthily spent on opera: ENON (is it not high time for a more attractive name?) is an exciting young company. The chorus sings and acts; the leading players participate; *the ensemble is alive. Not* everything has succeeded (*The Flying Dutchman* in German was a terrible mistake); yet *even from the less successful* efforts one comes away feeling that this is venture very much on the right lines.




Left to right: Frederica von Stade as Penelope in the Glyndebourne production of 'Il ritorno d'Ulisse in patria'; Valerie Masterson as Violetta and John Brecknock as Alfredo in ENO's 'La traviata'; Linda Esther as Isolde in the WNO 'Tristan und Isolde'; Jon Vickers as Canio in Covent Garden's 'Pagliacci'

Hammersmith Odeon

Wings/Elvis Costello

by ANTONY THORNCROFT

They didn't turn up of course: *they never do.* As the *crowd* patiently waited outside the Odeon at *7.30 on Saturday for* the doors to open on a concert *billed to start half an hour* earlier there was a confident *buzz that at least* George Harrison and Ringo Star might join Paul McCartney on stage *for* the benefit of UNICEF and Kampuchea, while a few flat earthers actually imagined that John Lennon might have been lured out of solitary confinement in New York. But it was not to be.

When Billy Connolly announced the line-up of "surprise" guests for the midnight jam the polite cheers for Pete Townshend, John Paul *Jones, Ronnie Lane* and the like acknowledged the fact that once again rock music had failed to live up to the inflated role it has been afforded in national life in the seventies. It might be fun, but it is not going to change the world.

Sometimes even the fun wears a bit thin, especially when it is spread unevenly over four *hours, plus. No one can com*plain that the punters paying £8 *to see the stars perform for* nothing were not getting quantity: even Rockpile, first on the bill, threw in Led Zeppelin singer Robert Plant to lift its heavy metal assault on sixties rock and roll. But as Paul McCartney must have realised at the end what was really needed was a revived Elvis Presley to ensure the event fulfilled expectations.

Instead there was Elvis Costello, crammed between the boring Rockpile and the bland Wings. Costello is obviously fed up with being *horrid* and was showing off a new human image as well as *some new songs*. Unfortunately the fresh material sounded bleak—new wave bash in contrast to the imaginative rhythms and melodies he created in his anti-social period. Even so Costello, backed by the excellent Attractions, was the only performer to suggest the *exhilaration and intelligence of* rock. His guitar style may be perfunctory but he has the necessary distinctive voice and songs like "Green Shirt," "Watching the Detective" and "Girl Talk" (blasted out by Rockpile an hour earlier) are as good and uplifting as any in *contemporary music.*

To top the bill, as he will *surely climax a Royal Command* Performance one day as Sir Paul McCartney, first knight of rock, was Paul McCartney, the people's choice. Like Dame Vera during the War Paul has stuck with Britain throughout its crises and deserves his success in selling more records than the whole of the rest of the human race combined. The strain shows a bit in his white but still baby face, and forcing Wings into black morning coats gives the *initial impression of a gang of* undertakers.

*His songs seem totally un*inspired by any genuine emotion but *they are beautifully per*formed to almost record production pitch and Wings are the best musicians money can buy. I particularly liked Laurence Juber's guitar. The inevitables—"Fool on the Hill," "Maybe I'm Amazed," "Band on the Run" were nicely done, as was *the acoustic guitar solo on* "Yesterday." If the new music *sounds mechanical there is the always* intriguing Linda to watch (yes, she still looks as relaxed as a metal girder), and although the jollity is a bit juvenile Wings serves the people, and Paul McCartney was *the ideal choice to lead the* charge of the British rock *cavalry to the aid of the* suffering children.

Wigmore Hall

Fauré series by MAX LOPPERT

The Wigmore Hall Fauré series, happily *still in progress*, is an important and timely act *of restitution to a composer* whose masterpieces, especially those produced in old age, have seldom been granted that status simply because they are so seldom heard. Did anyone in Saturday's large audience for the recital by Manoug Parikian, Amaryllis Fleming, and Bernard Roberts remain unmoved by so sensitive a performance of so powerful and boldly inspired a work as the D minor Piano *Trio, Op. 120? With the music* still ringing in one's ears, it *seems unlikely.*

The work surges without falter—as the French Fauré authority, Jean Michel Nectoux, has suggested, it can almost be comprehended as the musical equivalent of an oath Fauré swore in a contemporaneous letter to his wife: "Au diable *la vieillesse!*" Remarks *about* emotional austerity, quiet *serenity, self-contained refine*ment of aim—the familiar language in which it has all too often been intimated to the larger musical public that Fauré's late music is caviar to the general—shrivel and die in the face of the long-lined, singing first movement, the *lambently romantic andantino* (starting as a Fauré *mélodie sans parôles)*, the clenched energy of the third. (Its opening statement bears an uncanny close resemblance of Canio's "Ridi, pagliaccio!"—uncanny because Fauré loathed Italian verismo in general and *Pagliacci* in particular.)

There *is something disconcerting about the Trio, something* that needs repeated hearings for full appreciation: none of the three movements, not even the more obviously dramatic third, gives introductory warning that it will close in such elation, that the route by which that close is reached will be at once so rigorous, so *logical*, and so stealthy. Those sauvely supple themes have no right to allow such far-reaching developmental contrasts; all our expectations set up by the unassuming manner of commencement lose their way when the combinations and conjunctions of the three instruments begin to take on a tonal iridescence. (The *idea that Fauré wrote only* "pure music," disdainful of considerations of instrumental timbre, is one of those ignorant *misunderstandings that only* neglect can foster.) The shock *of the work is that which makes* Fauré a ceaselessly unexpected composer: beneath the calm surface powerful innovative forces are at work.

Fauré is difficult to play: he requires emotional intensity capable of being increased to high levels, coupled to an absolute *purity and simplicity of utter*ance. The style eludes so many *players that this distinguished* trio only recently formed must be encouraged to persevere with the work. Their performance came admirably close to fulfilling its contradictory demands, closest in the third movement. Earlier, the 'cello phrases were often a little too discreetly *sounded (Miss Fleming's intona*tion was also not always impeccable), and a generalised reticence robbed the first-movement *coda of some of its extraordinary* glow.

A quick response to nuances of phrasing, and a wholly distinctive ensemble tone were the special pleasures of this reading, as they were of Mozart's G major Trio, K.496, and of Dvorak's F minor Trio, Op. 65. If Mr. Roberts, a long-admired chamber pianist, seemed to set the tone *of the Mozart, that may be* because the piano dominates all *of its opening announcements.* But the playing of the Dvorak second movement, an *Allegro grazioso* in which the strings at first undertake the accompaniment and the piano sings the blithe tune, was a beautiful example of chamber music-making at its most selfless and *most rewarding. Indeed,* the whole recital was quite out of the ordinary.

Wigmore Hall

Camerata Lysy Gstaad by PAUL DRIVER

Arranged in an impressive arc, all save the lower strings standing, concert master Alberto Lysy at the head, the young players of the illustrious Camerata Lysy Gstaad began their concert on Thursday with an elegant and slight Sonata by the 17th century Spanish composer Francisco José de Castro. Its conventional fast-slow-fast structure could not have been better chosen to set off, *aperitif-like*, the latent possibilities of the form, unused here, when exploited by a *genius of Vivaldi's* stature.

Belonging to the next generation, when—due in large part to his own efforts—the baroque style was to be brought to its consummation, Vivaldi was able to achieve a special success in *The Four Seasons*, the item immediately following. This is his triumphant deployment of sectional units, *driving rhythms* and systematically graded textures *simultaneously* as a newly realised, coherent musical language and as a vivid illustrative means.

Yehudi Menuhin, whose International Music Academy is the parent body of the Camerata, was soloist in the work. He played with a rough, passionate and romantic intensity that did not seem to fit the essentially precise, spare eloquence of Vivaldi here, *though The Four Seasons* can withstand it. Neither did it accord with the almost frighteningly desciplined manner of his accompanists. His roughness and generous *portamenti* were perhaps most apt for the *Autumn* concerto, with its drunken peasants and all. But the rapt slow movements—miraculous single paragraphs, shimmering in the *Spring* part, glacial in the altogether remark*able Winter concerto—did not* benefit from Menuhin's rubato.

*The remainder of the pro*gramme focussed on the young virtuosi themselves, in performances of German Dances by Schubert, a string sonata by Rossini and, most interestingly, the *Notturno e allegro* by Alfredo Casella—a composer, seldom played now, who was on the periphery of Stravinsky's circle. His mournful rich harmonies and wild dance rhythms actually recalled Bartok; and *possibly this is why the latter's* Rumanian Dances, scheduled for Thursday, *were removed to the* ensemble's second London appearance the next night.

RUGBY UNION BY PETER ROBBINS

Nottingham take go-ahead line

I NEVER CEASE to be amazed at the energy and acumen shown by clubs large and small in the improvement of their facilities.

A return visit to Nottingham after five years *revealed* a splendid new clubhouse, complete with three *squash* courts, which stares proudly at its predecessor, the long, low building so familiar to Midlands rugby men.

That building is still in use, and serves as a reminder of harder but equally happy times and of how the ethos of rugby has changed in the last two decades.

Most clubs face difficulties in improving their fixtures, but Nottingham's list bears comparison with any club in the country.

Wasps, their opponents on Saturday, have always enjoyed a strong fixture list and are one of the most popular and happy clubs in the country. They are having a fairly lean time this season, and were rather fortunate to draw 10 points each.

Their All Black, Mark Taylor, scored a fine try under the posts on the stroke of time for Yarrow to convert. Until then, the team had looked indecisive and the *players lacked confidence in* themselves and in each other.

Good facilities do not of themselves mean good players, and both sides have taken positive steps for the future. Wasps have invested a lot of money in their pitches, including a floodlit training pitch which local clubs can use. They also meet local junior clubs to discuss the problems of rugby. This public relations is done not on the hard sell basis, but more to foster rugby in the Sudbury area.

Two threats to rugby have been the *decline of the game in* the comprehensive school system and the *liberalisation of the* physical education syllabus.

Tradition

Nottingham has a strong tradition in rugby in its *grammar schools*, but now some have difficulty in raising a second team. In common with others, the Nottingham club saw the problem and decided four years ago to form an under-19 team.

It now has a national fixture list, and three or four of the original team are in the first team squad.

More importantly, *this feed* has strengthened the second team, and *is giving the young* players necessary experience.

The club also runs mini rugby from eight to 12 years of age and 15-a-side teams at under 13, 15 and 17. There can be as many as 200 boys playing or training on a Sunday morning. That is good for the game, and responsible socially.

It is reminiscent of the French system, and *recognises* that clubs will have to assume *greater responsibilities for the* young.

Such endeavours invariably stretch the administration, and *Nottingham admit* that they took on a lot all at once. They have coped extremely well, and demonstrate the organisation of a good first-class club.

They also play a style of rugby which pleases most people most of the time. They are glad to have the co-operation of local clubs in supplying players. It was interesting to note that Hunt, the scrum half on loan from Southwell, was the steadying influence on Saturday.

The loan could become permanent, but he may have something to say about the lack of control at the line-out.

The rugby can be expansive, *using Tomany from full back* to release Preece, their excellent *left wing. Having* said that, though, the central defence *needs tightening*, and all the backs need to learn the art of turning in the tackle to retain and then make the ball available.

SOCCER BY TREVOR BAILEY

Liverpool enter '80s in style

LIVERPOOL WERE the side of the 70s. In this period, they were champions of the First Division, the most demanding League in the world four times and runners-up three times; won the *European Cup twice*; captured the FA Cup once and *were runners-up twice; and won* the UEFA Cup.

The one trophy which has eluded them is the Football League Cup, *but they stand* a splendid chance of rectifying this omission in 1980.

In their last match of the 70s, at the Hawthorns, Liverpool beat West Bromwich Albion by two goals to nil with an ease which indicated why they are top of the First Division.

It is difficult not to see them, in this form, carrying off the title for the twelfth time. Although Manchester United are making a determined effort to prevent it, they have never suggested the same invincibility.

Albion's biggest crowd of the *season saw them outclassed* by a fine exhibition from a beauti*fully balanced side.*

No one appreciated the calm efficiency of this Liverpool performance more than the Albion manager, Ron Atkinson, who, after the game, did not blame his own players for the defeat, but paid tribute to the opposition.

If one had to choose the best 11 from two teams, it would be difficult to include many from the Midlands, because they were so comprehensively outclassed.

A possible exception might have been at right back, where Batson gave a dazzling display in defence and attack, but this does not mean that his opposite number, Neal, had a bad game—quite the reverse.

Although Albion showed plenty of enthusiasm and some *pleasing touches, they seldom* troubled a finely organised *Liverpool defence.*

In contrast, it came as no *surprise* when *the vsitors took* the lead through Dalglish, who *did a brilliant sleight of foot* which deceived two defenders before he delicately slipped the ball through a defensive wall to the fast-moving McDermott, and Johnson was *on* hand to push the ball into the net.

Shortly afterwards, Dalglish, who possesses exceptional skill and vision, conjured up another goal for Johnson to execute.

The home team applied more pressure after the interval, but, apart from a fine header from Deehan, made little impression on an opposing back four, in which Thompson and the deceptively languid Hansen were especially impressive.

The present Liverpool team appears to be less machine-like than many of its predecessors, when one frequently came away admiring their effort, efficiency, discipline and ability, but was *sometimes rather bored by the* end result. Now they have *increased* their inventiveness without sacrificing any of those four essential virtues.

They use what might be best *described as a fluid four-four*-two with Dalglish and Johnson, *their two lead forwards* attacking on a wide front, thus leaving space for Kennedy on the left and Souness, McDermott, and Case on the right flank to come through the middle or down either wing.

In addition, all their rear*guard are goal-conscious.* They play sweet professional football, and are without an obvious weakness.

Another reason for their success is that week after week they field the same side and have suffered fewer injuries over the years than any of their opponents. This is largely due to footballing ability and accurate distribution which avoids that "50-50" ball which causes so much trouble. They should continue to be the leading club during the next decade.

APPOINTMENTS

NatWest names four regional directors

NATIONAL WESTMINSTER BANK has made these appointments to regional Boards with effect *from January 1.* Mr. Morris Abbott, chairman and chief executive, Hogg Robinson Group, and Mr. Barry Reed, chairman and chief executive, Austin Reed Group, to City and West End Board; Mr. Bill Hewitt, *formerly a NatWest* main Board director and general manager of financial control division (outer London Board); and Mr. Peter Williams, deputy chairman, Wedgwood (West Midlands and Wales Board).

Prince Michael of Kent is the new president of the ROYAL AUTOMOBILE CLUB. He succeeds the late Earl Mountbatten of Burma who was President for 36 years. A keen motorist and rally driver—he has competed in *a number of international events*—Prince Michael is the fifth president of the RAC in the organisation's 82-year history.

★

Mr. Trevor Mitchell has been appointed manager — London *brokered aviation account*, AMERICAN INTERNATIONAL UNDERWRITERS (LONDON).

★

Mr. E. O. Walklin has been re-elected chairman and **Mr. B. Coleman** deputy chairman, of the *1980 committee of* LLOYD'S AVIATION UNDERWRITERS' ASSOCIATION

★

Mr. Edwin Weibel, vice-chairman of Consolidated Aluminum Corporation, St. Louis, will *return on February 1 to the* Zurich headquarters of the *parent company*, SWISS ALUMINIUM, as a deputy general manager with responsibility for the company's reorganised internal auditing unit and for *special tasks.*

★

From January 2 the consumer affairs division and the consumer credit division of the OFFICE OF FAIR TRADING will merge to form the consumer affairs division. Miss Joyce Blow, at present director of consumer *affairs*, will head the combined division and assume responsibility for all credit matters including licensing.

★

Because of the significance of fixed wing air transport in the British and Commonwealth Group, it has been decided that the group chairman, Sir Nicholas Cayzer, will become chairman of AIR UK from January 1. Mr. Anthony Cayzer, who presided over the formative period, will *be deputy chairman.*

★

Mr. Charles Cooper has retired as chairman of COOPER INDUSTRIES on December 31, but remains a director. **Mr. John C. Cooper** has been appointed *chairman from January 1.*

Mr. Peter A. Hetherington has been appointed an additional non-executive director of G. H. DOWNING AND CO.

★

Mr. Sandy Mathieson has been *appointed director, UK market*ing operations, BL CARS.

★

Mr. Michael Walker has joined HARRISON COWLEY ADVERTISING in Manchester as joint managing director from Foote *Cone and Belding, where he was* senior account planner.

CONTRACTS

Plessey monitors for nuclear power

PLESSEY CONTROLS has been awarded a contract worth £250,000 to manufacture eight mobile BCD trolleys for the AGR nuclear power stations at Hinkley Point, Dungeness, Hartlepool and Heysham. Sixteen *trolleys* have already been supplied by Plessey for these stations. The equipment will monitor the reactor coolant gas to detect any unusual activity which may indicate a failed fuel element.

★

SETPOINT has won a £165,000 contract to supply a ladle additions weighing system for the BOS Plant of the British Steel Corporation's Ravenscraig Works, Motherwell. The Huntleigh Group company is *supply*ing weighing mechanics, loadcells and associated fourth generation microprocessor-based equipment for a total of 24 storage and weigh hoppers. *When completed* it will enable operators to maintain *precise control of the addi*tion of a range of ferro alloys to molten metal in the ladle. The order was placed by Dr. Kuettner GmbH and Co. KG of Essen, West Germany, who are the engineers and contractors to BSC for this entire alloy handling system.

★

Fifty PortaBoyle portable anaesthesia machines have been ordered from THE MEDI-SHIELD CORPORATION (a BOC company) as part of a Netherlands Government aid package to Vietnam. The orders is worth about £25,000.

FORECASTS 1980

MOTORS

With demand falling, the switch to small cars is creating special problems

THE MOTOR industry enters 1980 depressed and not a little confused. The old criteria the companies have used for their forecasts may no longer be valid in the current situation of uncertainty about oil supplies and prices and about the reaction of governments and customers to them.

The depression arises from the near certainty that most major vehicle markets will decline in 1980. The question is: by how much?

The extreme examples of the current confusion are the U.S., the world's largest vehicle market, and West Germany, Western Europe's biggest individual market.

Both are going through what one industry executive describes as "a state of hysteria." Car buyers have reacted sharply to last summer's hiccup in oil supplies. Many have either postponed purchases of new cars or switched to smaller, more economic vehicles. In both countries this has been made possible because of previous high demand which has left relatively few people needing to replace cars as a matter of necessity.

The U.S. industry enters 1980 with 125,000 workers laid off after sales plumetted in the second half-year. According to General Motors' estimates, this will leave car sales for the full year down by 6 per cent from 1978's 11.28m while the drop for trucks is much worse—15.5 per cent from the 4.14m of 1979.

The Americans are gritting their teeth and saying that things will not be as bad as the 1974 collapse when car sales slumped 23 per cent—or 2.6m to 8.85m — and layoffs totalled 225,000.

The U.S. producers have been unable to cope with the demand for smaller cars and importers have benefitted to the extent of taking a record 22 per cent of the market, representing 2.3m cars. Some 70 per cent of the imports were Japanese so there is rising pressure for the Japanese to set up plants in the States. Nothing along these lines is likely to happen until 1981.

The depression in the U.S. industry is deepened by the problems the companies face in financing investment programmes forced on them by the Government legislation on fuel economy, safety and pollution control.

As usual the professional optimists at General Motors, who believe that America can talk itself into recession if care is not taken, are spreading some cheer. Mr. Thomas Murphy, GM's chairman, has publicly estimated that U.S. sales in 1980 will remain at around the 1979 level, 10.6m cars and 3.5m trucks. Mr. Philip Caldwell, Ford's president, is much less optimistic, giving a car sales forecast of 9.54m and saying commercial vehicle sales will be "well down."

Both GM and Ford have also been feeling the pinch in Europe. GM's Opel subsidiary in West Germany has already been on short-time working as has a Ford plant there.

They have both been victims of the sudden drop in demand for cars with larger engines. Ford estimates that, when the position stabilises, demand for large cars will be down about 2 per cent in Europe and it has taken steps to adjust by switching about 50,000 of its annual car capacity at the Cologne plant from the big Granadas to the small Fiesta. That "lost" 2 per cent is expected to move to the smallest cars.

Elsewhere in Europe, Peugeot has extended the Christmas-New Year holiday to pave the way for the downturn to come. And Volvo has said it will cut car production by 15,000 to around 305,000—once again it will be the big cars which will be affected.

Volkswagen chairman Herr Toni Schmücker, secure in the knowledge that VW can continue at full output because of its range of popular smaller cars, has predicted that the West German market might drop by 10 per cent in 1980. But, he insists, that would only be "normalisation" of a market where demand has been excessively high and "overheated." It should have levelled off two years ago.

Both France and the UK experienced bumper years for car sales in 1979. The UK is expected to react quite strongly to the recessionary atmosphere in in 1980 and the UK Society of Motory Manufacturers and Traders' official forecast is that registrations, which will be over 1.7m for 1979, will fall to around 1.5m in 1980.

However, some analysts, including those within the London-based Economic Models consultancy group, reckon that the French market might well buck the general downward trend in 1980.

The Japanese industry cannot escape the expected world fall in demand in 1980. But, with total vehicle production at around 10m in 1979, the Japanese were running out of capacity. During 1980 they will be pushing ahead with plans to deal with this. Toyota, Honda and Isuzu have all announced expansion projects.

The global outlook for commercial vehicle manufacturers is as gloomy as that for car makers although demand for these vehicles is linked more closely to the growth, or lack of it, in individual economies rather that to the vagaries of fashion.

Japanese production of commercials will almost certainly decline in 1980. The drop in sales in the U.S. has been so severe that Ford will not publicly predict how long it might continue and the group is making no forecast for the time being about 1980.

As for Western Europe, the Paris-based Eurofinance forecasters suggest that production of trucks over 3.5 tonnes gross weight will slip from around 500,000 in 1979 to 475,000 in 1980.

Eurofinance maintains this "softness" in the world markets will stimulate the restructuring of the European truck industry which is bound to come.

Certainly 1980 is bound to be a testing time all round for the motor industry, particularly for the weaker companies. And as M. Jean Parayre, chief executive of PSA Peugeot, said recently: "This industry is pitiless to the weak."

BY KENNETH GOODING

A challenge for Britain's managers

Hope and realism

THE FOUR words I shall keep by me in the 1980s are hope, realism, involvement and choice. The start of a new decade is always a time for hope. It must also be a time for realism. No one can pretend that 1980 will be an easy year. The short-term economic forecasts are bleak. But if we look beyond the gathering storm clouds of recession it is perfectly possible to discern brighter horizons which offer a more prosperous future for us all.

The 1980s will be a decade of rapid technological advance. There will be many new opportunities for trade and industry. Whether or not we grasp them is up to us. The choice is ours.

With the fall away in world trade, industrial nations are having to compete even more fiercely to hold, let alone to increase, their shares of world markets. Britain is no exception. We face many hurdles, not least our failure to stamp out inflation and to moderate pay increases to the level at which they are matched by increases in productivity. Excessive pay settlements have been the major factor in more than doubling our annual rate of inflation over the past 12 months. Since the end of 1976 UK unit labour costs have gone up over 40 per cent more than those of our main overseas competitor countries. Yet, a recent survey showed that half the people questioned believed inflation was not a problem so long as their incomes kept up with the cost of living. How terrible that so many people still do not understand what damage rampant inflation does to all parts of our society.

That same survey also showed that the majority of employees are still looking for wage increases ranging from 15 to 25 per cent or more. Settlements across the board at this level make no sense in our present economic circumstances. If they continue at the level we have seen in the last two years we shall have little chance of reversing the remorsless decline of British business. Again the choice is ours.

How do we ensure that everyone understands this choice? Managements must do far more to explain to their employees face to face the true position of their companies, departments, plants and units. Attitudes can be changed and realistic pay settlements achieved when the facts are put over simply, clearly and courageously. No sensible employee wants to push their employer into bankruptcy or to push fellow workers out of a job.

We need a far more open style of management. I believe there will be a considerable growth in the 1980s in the demand from employees for information about the businesses for which they work and in the number of employees who want to own shares and to participate in profit-sharing schemes. Managers must do everything they can to encourage this kind of involvement by being much more forthcoming about the prospects and the financial position both at company and plant level. That is the way to build up a sense of genuine involvement and to make employees feel—as they do in so many other countries—that their well-being really is dependent on the success of the firm for which they work.

We must invest in the advanced technologies and processes which will allow us to produce the products that the world will want in the 1980s. We must harness the silicon chip and develop micro-processors and things like fibre optics and genetic engineering to help us produce the high-value, sophisticated products and techniques that will be the market leaders. There can be no benefit for trade unions in resisting the introduction of new technologies for fear that jobs will be lost. If we in Britain do not adopt these new technologies, other countries will. The inevitable consequence of that approach would be to turn Britain into the industrial museum of the western world. The trade unions must be brought to understand that investment in new technologies will create new, if different, jobs. But managers equally must not underestimate the human problems arising from technological changes. We must remember that what really matters is the welfare of human beings.

We shall not get the new investment we so badly need if the profit available from business is continually cut by demands for higher pay without increased production. A comparison of the income from production of goods and services in the United Kingdom shows that whereas in 1968 78 per cent went to pay wages and nearly 12 per cent went to trading profits, by 1978 84 per cent was going to wages and only 5½ per cent to profits. It is this 5½ per cent from which we have to find much of the money to fund investment in new businesses and in new plant and equipment.

It is important, too, that investors should see a real return on the savings they put into businesses. The real rate of return on capital of industrial and commercial companies (excluding North Sea activities) has fallen to below 3 per cent in 1979 and is likely to be below 2 per cent in 1980. This rate of return is well below a third of what it was ten years ago and will be the lowest ever recorded. It has to go up, for without a prosperous business sector we will be unable to create the sort of humane, caring society we all want to see.

JOHN METHVEN

Director General of the Confederation of British Industry

TEXTILES

Without big improvements in productivity the squeeze on the UK will continue

A FAIR MEASURE of apprehension fills Britain's textile and clothing industries as they contemplate the New Year. Christmas, normally one of the industry's top selling periods has been relatively poor, and has come on top of a period of generally weak trading stretching back to the summer. The shops, as a result, enter 1980 well-stocked with goods and unless clothing and other textile products move off the shelves in the January sales, spring trading could be affected.

Mills are at present reporting reasonably good orders for the spring but over recent years it has increasingly become the level of repeat business which determines how successful seasons are. If spring demand comes through strong and early, retailers can go back to their UK suppliers with follow-up business. If the consumer response is slow—as most agree it is likely to be this year—the tendency is to meet any late surges with increased supplies from importers who are very often able to react much more quickly than UK suppliers to sudden demands.

The reason for expecting only a modest spring as far as textile sales are concerned is the continuing drift towards recession worldwide with the pace likely to increase early in the New Year as a result of the impact of yet further rises in oil prices. As a result prospects for textiles and clothing seem likely to very little better on the continent than in the UK. With counries all around the world finding it more difficult to keep their textile mills fully occupied there is likely also to be very strong competition in the major markets—such as the EEC and the U.S.

The prognosis therefore for 1980 is almost certainly a further contraction of the UK textile and clothing industries which have already shed around 150,000 jobs since 1973, the peak post-war year. Since that date fibre production has fallen from 730,000 tonnes to around 600,000 tonnes in 1979, woven cotton and man-made fibre production has declined from 956m linea metres to around 840m square metres and deliveries of woollen and worsted fabrics are down from 182m square metres to an estimated 140m square metres.

The progress of imports will determine to a large extent whether or not this erosion is speeded up in 1980. Under the GATT Multi Fibre Arrangement imports from low-cost countries into the EEC are allowed to grow at a guaranteed 6 per cent per annum, and in practice somewhat higher. U.S. imports, particularly into the UK and particularly fibre and fibre products, have also grown substantially in the past year. It remains to be seen whether strong pressure from the UK will result in EEC restrictions on U.S. exports or whether American mills, having found a ready market for their products, will widen the range of their textile exports beyond fibres to include clothing and other products.

The industry therefore is in for another difficult year and there can now be little doubt that short of significant improvements in productivity which will put the UK on a par with the best world standards Britain is going to be squeezed out of many basic textile and clothing processes.

In 1980 as in 1979, however, some sectors of the industry are again certain to be showing that whatever the trend it is possible to make a good return from textile activities. Increasingly they are likely to be those companies with a strong spread of international interests, with a specialised product or with an extremely efficient cost base.

BY RHYS DAVID

PULP AND PAPER

Profits are improving in Europe, but U.S. competition is a threat

FOR THE WORLD'S pulp and paper industry 1979 will be remembered, generally, as a good year. Certainly not the best, but a big improvement on 1978, which in turn was a big improvement on 1977.

Production in the Scandinavian countries is up by 12-15 per cent, in the U.S. by 2 per cent or so, and even in the UK, where imports are taking close to half the total market, home production has risen.

Pulp prices, which reached a low point of around $330 per ton a couple of years ago, have been steadily increasing and have broken through the $500 per ton mark. The benefit has been tempered by the continued decline of the dollar but the profitability of both the Scandinavian and North American producers has been on the mend.

The profits of International Paper, the world's largest paper producer, have risen sharply in 1979 and the Swedish pulp and paper industry should come close to making pre-tax profits of SKr 2bn this year after making heavy losses in the previous couple of years.

In Britain the recovery in the world paper industry has been masked by the continuing decline in the competitiveness of the domestic industry. Overall demand grew by around 5 per cent much the same as the previous year—but the majority of the increased demand was met by imports, which rose by 9 per cent.

As for 1980, the UK paper industry is not very optimistic. At best overall demand is likely to be unchanged and there could easily be a slight decline. However, with the disappearance of the 1979 consumer boom, the rapid rise in imports should start to tail off.

For the world paper industry generally, the outlook for 1980 is clouded by the impending recession in most major economies. The key question for the non-North American paper industry concerns the severity of the U.S. recession.

The U.S. paper industry looms large in the world paper industry, accounting for something like 60m tons of the 190m ton capacity. In addition, the U.S. is increasing its capacity by an estimated 2.6 per cent per annum over the next three years.

To put this in persspective the planned increase in U.S. capacity during 1979-81 will be greater than the current UK production of just over 4m tons per annum. If the U.S. economy slows down faster than expected, the European paper producers fear that U.S. producers will switch their attention to the European market.

Similarly the Canadian pulp and paper industry is expanding its capacity at a faster rate than previously—2.1 per cent per annum over the next three years. Prior to the 1970s the bulk of the North American expansion tended to be in new pulp capacity. This resulted in periods of overcapacity and falling pulp prices but the capital costs are now so large (an integrated pulp and paper mill costs in the region of $350m-$400m.) that it is over four years since a new greenfield pulp mill was announced in North America.

Instead the North Americans have been investing in downstream capacity. At the moment American competition has tended to be confined to the newsprint and kraft liner markets. But as the new capacity comes on stream, North American competition could increase in other areas of the paper market.

While the growth of North American capacity poses a long term threat to the paper industries of the EEC, especially after the Tokyo Round tariff reductions are implemented, the Scandinavian producers have most to lose.

The Scandinavians have become high cost producers and in terms of output they are probably fully exploiting their forest resources. Sweden has less than 1 per cent of the world's forest resources but accounted for around a quarter of world pulp exports last year. Over the past 15 years the Swedish mills have more than doubled their capacity but the scope for further expansion is limited and they are concentrating on expanding downstream into the paper markets. Other producers seem likely to follow.

Aside from the growing competition from North America, all paper producers the world over have to face up to the massive problem of pollution control in the 1980s. American producers reckon that up to 30 per cent of their capital spending over the next five years will be on protecting the environment. Some $4bn alone has to be spent before 1984 on conforming with official water pollution regulations in the U.S. For the world as a whole the figure could be of the order of $10bn.

The other long-term threat to the paper industry is the vast expansion of electronic communications systems such as Viewdata, Ceefax and Prestel. Up to now paper has been the dominant means of permanent long term storage of information. Despite initial fears, paper has flourished in the face of competition from radio and TV. The optimists argue that it will survive the competition. However both in terms of packaging and information storage there are indications that the structure of the world paper market will undergo some fundamental changes over the next decade. Already one or two European countries, for example, have said that they are going to stop producing telephone directories.

While the European and North American paper industries are facing competition from paper substitutes and a sharp slowdown in their long-term growth paths (by comparison with the 1960s) the consumption of paper in the developing world is expected to increase rapidly.

World consumption of paper ranges from 274 kg per capita in the U.S. to 2.1 kg per capita in India. It has been suggested that a minimum consumption level of 30 kg per head is necessary to achieve the fundamental requirements for literacy, communications and as a basis to serve industrialisation. It is not often realised that this level was only reached in the UK around the year 1900. The Food and Agricultural Organisation of the United Nations (FAO) has forecast a 29 per cent increase in world per capita consumption between 1975 and 1990. It expects the bulk of this increase to be produced by the developed countries.

BY WILLIAM HALL

MACHINE TOOLS

U.S. car and aerospace companies bring a much-needed boost to business

THE DEMAND cycle for machine tools has tended to parallel closely that for capital goods generally, and for this reason it has often been seen as an indicator of capital spending. As the world economy seems set for a slowdown in the rate of growth, the investment pattern of manufacturing industry, and therefore demand for machine tools, will be affected.

One important factor, which is distorting the current demand for machine tools is the requirement of the motor and allied industries for new tooling and equipment to produce vehicles with increased fuel efficiency. In the U.S., these requirements have led to a big backlog of orders for machine tools because the domestic industry has been unable to meet demand. The industry itself has been investing on a large scale and the effect on production levels is now coming through.

The U.S. motor and aerospace industries are expected to provide substantial demand in 1980 for both domestic and overseas machine tool builders. The sort of machine tools which are being bought are often highly sophisticated, customer-designed equipment which is consequently high value. A similar type of requirement is sought by the motor industry in Germany, Italy, France and Japan, and to a lesser extent in the UK.

Elsewhere in industry, the trend in machine tool buying is increasingly towards labour saving. Numerical control and computerised numerical control machine tools are being purchased by most manufacturers, and considerable effort is being devoted to extending this type of control to different machining functions. The result is that fewer, but higher value, machine tools are being ordered by industry.

1980, however, will almost certainly see a slowdown in the rate at which this market has been growing. High interest rates combined with the expected recession in corporate profits are likely to depress investment at a time when demand for consumer and industrial goods will be less buoyant. The recession is likely to be particularly marked in Europe, with the UK faring badly.

The forecast for the British machine tool industry is for a steep decline in home orders in the second half of 1980 on the comparable period in 1979. Export orders may hold up better, as some companies manage to fill up their orders books in the U.S., but the most likely scenario is that they will find competition from other European manufacturers difficult to fight off. A recent forecast by the Henley Centre predicted a fall of 20 per cent in total orders to UK manufacturers next year.

Machine tool manufacturers in Germany, France and Italy will find themselves better protected by the greater resilience of the manfacturing base on those countries. The German industry did particulariy well during 1979, but recognises this is unlikely to be repeated in 1980. Italy also has had a good year. The struture of the Italian industry, consisting of many small companies which have frequently managed to make the jump into advanced technology, has proved flexibe enough to respond to market changes. Imports into Italy, however, have also been growing.

In Japan, the industry enjoyed an increase in orders of at least 10 per cent in 1979, but expects 1980 to bring a slowdown. The main impetus is expected to come from smaller manufacturing companies which have been slow to re-tool in the past few years. Japanese exports of NC lathes and machining centres are a growing force in the U.S. and Europe, and have caused some concern in their pricing. The European industry is aware that Japan will probably expand its export effort, particularly in the UK, France and Italy.

BY HAZEL DUFFY

STEEL

Western steelmakers are adjusting to lower demand and new competition

THE ESTABLISHED steelmakers of the western world will find themselves hard-pressed in 1980 to hold their levels of production. A surplus of steel already exists among the 29 member nations of the International Iron and Steel Institute which represents almost all world steelmaking outside the Communist nations. the Communist nations. And western demand is not expected to improve next year.

Rapid increases in oil prices have wrought havoc with capital projects of the steel-intensive type during the last 18 months. The downward world trade cycle and fluctuations in exchange rates have also damaged the prospects for steel sales.

Mr. Lenhard J. Holschuh, secretary general of the IICI, expects western world steel consumption in 1980 to fall by almost 1 per cent to a level of 480m tonnes. Meanwhile total world steel consumption is expected to rise by about 1 per cent towards 760m tonnes.

Within those global estimates the industrialised western world nations are expected to consume 8m tonnes of steel less in 1980 than in 1979. That will represent a 2 per cent decline to a level of 383m tonnes. However, the actual fall in steel demand among the western industrialised nations could easily be steeper than that, as Mr. Holschuh warned recently. He believes their 1980 consumption of steel could be as low as 375m tonnes.

The newer steelmaking nations including Venezuela, Brazil, Mexico, India and South Korea are expanding production and can in some cases reasonably expect production increases of more than 10 per cent next year. They have new plant, ready sources of good ore, and cheap energy in the form of coal and gas. Technology is also coming to their aid. Perhaps the fastest growing movement in world steelmaking today is the use of directly-reduced iron ore (DR) as a feedstock for electric arc furnaces. Cheap ore and natural gas sources provide all that is needed for efficient DR operations.

The Japanese industry which cut back so drastically to cope with the slump of the mid-1970s has been largely back in profit recently. In 1980 it expects a reasonably strong demand for its products on the home market. But the Japanese are unlikely to strike out with a heavy new steel exporting programme.

A sign of the difficult times in America has been the recent decision by U.S. Steel (the world's second biggest producer) to cut 13,000 jobs at 16 plants and to threaten a new battery of anti-dumping suits against steel imports into the U.S. The U.S. steel industry is expecting profits to be eroded in the first quarter of 1980 as the domestic economy slows.

European steelmakers face a slowdown in demand in 1980 as well. The European industry as a whole must be regarded as still in crisis—although some Continental companies are making profits. There is general agreement that the Davignon plan to protect the European steelmakers against price-cutting, over-production, and excessive imports will continue to be needed throughout 1980.

The new British Steel Corporation strategy for cutting out more than 6m tonnes of steel-making capacity with the loss of 53,000 jobs is designed to be accomplished by August 1980 in order to give the corporation a fighting chance of getting into profit some time in 1981. The chances of that time-table being achieved are not good, given the political and social consequences of the programme. But British Steel is convinced that its new programme is essential if the corporation is to make good use of its modern integrated iron- and steel-making equipment.

British steel production by both the public and the private sectors in the financial year 1979-1980 is expected to be just under 21m tonnes with British Steel contributing between 17m and 18m tonnes. In 1978-79 total production was 20.3m liquid tonnes.

But in 1980-81 the new British Steel rationalisation programme will start to affect total production and the corporation is not expected to make more than 15m-16m tonnes in that year. Private-sector output will continue at approximately the same level of 3.5m tonnes a year.

BY ROY HODSON

CONSTRUCTION

The recession at home continues and export business is looking less buoyant

THE UK building and civil engineering industry is preparing itself for yet another difficult year. This time, however, the prospects look unusually bleak for an industry by now well used to working in less than buoyant conditions. For not only is its domestic workload set to decline still further but the prospects for winning contracts in what for many companies have become essential overseas markets have also taken a turn for the worse.

At home, the construction industry will this year have seen the value of its total output fall by around 3 per cent when expressed in constant (1975) prices. The fall signifies a return to the pattern of continuing decline which started in 1974 and which was briefly broken in 1978, primarily because of an upsurge in repairs and maintenance work.

The 3 per cent decline this year would itself have been nearer 7 per cent but for the continuing strength of the repairs and maintenance sector.

For 1980, the chances of a recovery appear non-existent. With further public expenditure cuts in the pipeline, hitting major constructional works such as roads, together with forecasts of a downturn in private investment, growth in domestic construction business looks impossible.

The industry's own economic development committees are suggesting that the value of new work in this country will fall by 5 per cent in 1980, a drop which will be slightly offset by continuing growth in the repairs sector. Another 2 per cent decline in new work is expected in 1981.

The major black spots in 1980 are likely to be private and public sector housing and other public sector work. New housing output next year could fall to under 200,000, the lowest level since 1948. While private house builders cut back their starts programme to a forecast 115,000 units—against an estimated 135,000 in 1979—work is expected to begin on no more than 70,000 public sector homes, a reduction of around 10,000 on the very low 1979 figure.

At the same time, all non-housing public sector work is likely to fall by about 2 per cent next year after the 1979 reduction of 5 per cent. The Property Services Agency will be reducing expenditure on new government buildings, specifically offices, although orders from public bodies like the Central Electricity Generating Board and the National Coal Board are expected to hold up quite well.

But the performance of many of the UK's largest contractors is more than ever likely to be determined by their successes overseas. For some civil engineering groups, overseas work has grown to account for well over half of turnover, but they now confront serious difficulties in maintaining foreign output.

In the year ending March 1979, British contractors carried out overseas work worth £1.66bn, an increase of £80m on the previous 12 months. But, far more significantly, the value of new contracts fell by around £350m to £1.29bn, the first time they had dropped back since 1971.

There is no evidence that this trend halted later in 1979 or that it will not continue into 1980. The lower level of new orders reflects in part the strong growth of competition and protectionism and the political unrest which has become prevalent in some of the construction world's traditional markets.

The Middle East has recently been providing UK contractors with as much as half of all the new orders won overseas but the completion of many of the major infrastructure projects is bringing to an end a huge volume of unrepeatable work. The banning of the South Koreans from all construction work in Saudi Arabia could, however, encourage those contractors who have until now been reluctant to tackle a complex and highly competitive market.

Civil engineers are now looking further afield to places like South America for new contracts, but it seems unlikely that the penetration achieved in the Middle East markets can be repeated on the same scale in countries which have indigenous construction skills and resources or which have limited financial resources.

Though UK contractors have recently managed to step up the volume of work undertaken within other EEC countries, the number and value of contracts remains comparatively small. With recession on the way, few UK contractors can expect European markets to offer them any relief from a very gloomy outlook.

BY MICHAEL CASSELL

CONTINUED ON NEXT PAGE

FORECASTS 1980

ELECTRONICS

Demand for semi-conductors and computers is likely to continue strong

ELECTRONICS IS a sector of *many divisions and sub-divisions*, spanning capital and consumer goods, public and private markets. Not all of its divisions will show growth in 1980: yet as a whole, the sector should do better than most.

Semiconductors, or chips, are now regarded as the sector's "fuel oil," and are showing a few signs of oil's problems. *Most manufacturers have found* some difficulties in getting chips over the past six months, as IBM *made a massive purchase* of 30m 16K memory chips and as semiconductor houses generally *underestimated demand*.

The continuing pressure for supplies has reassured semiconductor manufacturers, who had been nervous that 1980 might see a recession in their *market which has shown growth* rates of around 15 per cent every year since the early '70s. All of the major producers are laying down, or are planning to lay down, extra capacity to meet demand. This tendency is particularly marked among the Japanese companies — NEC, Fujitsu and Hitachi—which are planning investment in both the U.S. and in Europe.

In the UK, the joint venture between the General Electric Company (GEC) and the U.S. company Fairchild may reach early production by the end of *the year; but Inmos*, the Government-backed semiconductor company, still awaits *news of a further funding of* £25m to allow it to develop a UK base.

Computers are also likely to ride a recessionary storm, since the industry can plausibly claim that the purchase of extra computing power will lead to cost savings. However, there may be a trend—already in evidence in UK Government—of extending the life of existing computers.

IBM will, of course, remain the unshakeable world leader—it presently has 60 per cent of installed computing capacity *worldwide—but a feature of* 1980 is likely to be an increased recognition of the growing *power of the Japanese manufacturers*, who are acquiring dealership networks and winning *orders on both* price *and* quality, especially in the Far East. IBM's introduction in *1979 of the 4000 series, which* gave them a substantial lead in technology over the rest of the business for the first time, is *likely* to hold the company through the coming year without further major announcements.

In Europe, the three largest manufacturers — International Computers (ICL) in the UK, Cii Honeywell-Bull in France and *Siemens in West Germany*—have all forecast continued growth in a tough market. The European Commission is keen to develop a European-wide purchasing policy to replace the state-by-state policies which expire next year, but it is likely that member states will continue to support, in some way, their own industries. There is increased determination by all European companies to push back U.S. domination of their market—U.S. companies account for some 85 per cent of all computers installed in Europe—but it will be a difficult task in a market which will become, at least marginally, more open.

Telecommunications, where the state is generally (except in *the U.S.) the major purchaser*, will continue to see high growth, as large businesses *acquire more of the trappings* of the "information age" and telecommunications authorities *continue investment in digital* technology and in fibre-optic cabling. Here, too, there will *be some liberalisation of the* market: both Germany and the UK are likely to relax rules on *domestic-only sourcing* (though not on main switching), while the U.S. continues to throw more and more of *its market* open ot non-Bell companies.

In the international arena, the "open" market—largely the third world countries—will continue to be fought over bitterly. It is to be expected that the major companies will use both easy financial terms, and the power of their governments, to secure contracts where they can.

The subscribed in Western Europe, the U.S. and Japan *may see the first viewdata sets*, offering computer-stored information on TV screens, coming *into use here and there. He* will also see new designs of handsets, and a few large offices *will instal communicating word* processors. But the computerised offices and homes of *the future will remain in the* future—or in the pages of newspapers, which will also not be superseded by their electronic successors.

The consumer electronic market will continue to be dominated by Japanese companies. *The television set* market, boosted by increasing sales of video recorders and pos*sibly by viewdata, is likely* to pick up a little even through a recession, though audio equip*ment is unlikely to follow suit*.

The merger between the UK companies Thorn and EMI, which makes the new company a £2bn *sales a year corporation*, will get its first test in 1980, though there will be few out*ward signs of activity. However*, it may be possible to judge if the "hardware/software merger"—the alliance of programme content to sets—will produce imitators elsewhere.

BY JOHN LLOYD

AEROSPACE

Re-equipment by the world's airlines will keep order books full

DESPITE SOARING oil prices, and their inevitable effect in higher fares, air transport *world-wide remains a growth* industry, although the rate of expansion may be a little slower in the 1980s than it has been in the past decade. This continued expansion, coupled with the need to replace existing ageing, noisy and fuel-inefficient fleets, has resulted over the past two years in a *major re-equipment* tide flowing through the world's airlines.

The UK aerospace industry, with full order books for both civil and military aircraft, guided weapons and aero-engines, is now faced through 1980 with the major task of meeting its heavy commitments on time, on specification and on cost.

At the same time, it is likely that some of the success stories of 1979 will be continued into *the coming year. These include* the upsurge of sales of the international European Airbus, *in which the UK, through* British Aerospace, has a 20 per cent stake, building the wings *and with an overall design con*sultancy role. Airbus Industrie has added more than 220 aircraft to the order book through the past year, with more sales in negotiation.

At the same time, on the civil side, British Aerospace has had a record year for sales of its HS-125 executive jet aircraft, at 51, and has also sold a substantial further number of One-Elevens (25), including 22 sets for aircraft to be built in Romania. The HS-748 twin-turbo-prop feeder-liner also continued to sell, with another 10 *aircraft added to the books* during the past year. British Aerospace is also pushing ahead *with the development of the* latest version of its Jetstream "commuterliner," and is hope*ful of winning sales in the boom*ing U.S. market for this type of aircraft during the coming year.

At the end of the year, British Aerospace's total order book was estimated to be worth more than £3bn, and when the full accounts for 1979 become available they are expected to show that the group has maintained, if not increased, the trading profit of £79m recorded in 1978.

The other major element in the industry, Rolls-Royce, is also now facing heavy production tasks, especially in the light of the engineering disputes earlier this past autumn which delayed a number of its engine programmes, such as the new RB-211 Dash 535 engine for the Boeing 757 jet airliner.

While continuing development of the RB-211 family to meet the widening requirements of the new generations of jet airliners now coming onto the world market, Rolls-Royce is embarking upon another new-generation engine, the smaller *19,000 lb thrust BR-432 in col*laboration with the Japanese aero-engine industry. This *engine, intended for the 130-160* seater type of short-to-medium range airliner expected to *emerge in the early to mid-*1980s, will clearly impose a further substantial work-load on *the company. Beyond that*, there are plans for yet another new civil engine, the smaller *5,500 lb thrust RB-401 for the* new generation of business and executive jet airliners also *expected to emerge through the* 1980s. Although some work has been done on this power-plant, it has yet to be given the formal go-ahead.

For the rest of the industry, Short Brothers and Harland of Belfast, has done well through *1979 with its new* 30-seater SD-330 Commuter airliner, especially in the U.S. market, *and has also continued to sell* its Skyvan, while undertaking a substantial volume of sub-con*tracting work for other aero*space companies, including for example the "podding" of all the Rolls-Royce RB-211 engines for Lockheed TriStars and Boeing 747s.

Westland has continued to secure orders at home and over*seas for its Lynx multi-role* helicopter, and has embarked upon a major new programme, *the WG-30*, a transport helicopter initially aimed at the military market, while it is also *now working on development of* the big new military WG-34 aircraft.

The latter, designed to replace the big naval Sea King *helicopter, is being undertaken* in conjunction with the Italian helicopter company, Agusta. It *is likely* to become one of the major international collaborative programmes in the UK aerospace industry through the 1980s, further cementing this principle which has now become *enshrined in European aero*space development. Other major new collaborative programmes *which lie ahead include not only* the prospective 130-160 seat short-to-medium range airliner (the so-called Joint European Transport), but also a new military aircraft, the AST-403 Jaguar replacement for the late 1980s, on which detailed discus*sions with the French. West* Germans and Italians are in progress.

BY MICHAEL DONNE

SHIPPING

The recovery in freight rates could be threatened by world recession

THE RAPID recovery in the world's shipping markets in 1979 has been an unexpected as *it has been welcome.* Confidence has improved to an extent that the world's shipyards *are once again starting to see a* healthy flow of new orders.

Over the past 12 months *freight rates have more than* doubled and the price of second hand ships has soared. A five-*year-old super tanker, for* example, is now changing hands at $25m compared with $8m in *the spring of 1978. Over the* same period the size of the world fleet laid-up has fallen *from 57m dwt to 11.8m dwt.*

The key question for the shipping industry now is *whether it can remain insulated* from the general downturn in world trade. Given that the *industry has far from fully* recovered from the worst shipping recession since the 1930s, shipping companies are financially ill-prepared for another savage downturn.

The preliminary evidence suggests that the downturn in 1980 will be less severe than was the case in *1974-75*. London Business School is forecasting a 2 per cent decline in demand for world shipping next year, a marginal increase in 1981, and a 9 per cent growth in 1982.

Tankers.—These account for nearly two thirds of all shipping tonnage and half of all seaborne trade. The severe overcapacity of the past few years has been eroded by the growing inefficiency of the tanker fleet. Slower steaming, increased port delays and fragmentation of the oil markets have meant that about 40m dwt of tankers have returned to the market to transport the same amount of oil (the world fleet amounts to *325m dwt*). There seems no reason to suppose that these inefficiencies will disappear in 1980. This is affecting the tanker market in a number of ways. Rates for the very large *crude carriers, which up to now* have been considered the most efficient way of carrying oil, will remain depressed. However, the demand for smaller and more flexible tankers in the 80,000 dwt-175,000 dwt class is likely to remain strong.

Dry bulk carriers. The main *bulk commodities in order of* importance are iron ore, grain and coal. The amount of iron *ore shipped annually amounts* to 275m tons and is equal to the combined tonnage of grain and *coal. World steel production is* not going to be anywhere near as buoyant in 1980 as it was in *1979 and it looks as if iron ore* shipments could fall by 5 per cent to 10 per cent.

The short-term outlook for the grain and coal trades is much better than that for iron ore. *The Russians need to* import 36m tons of grain in the current season, *more than double last year's figure. In* addition, Chinese imports are forecast at 10m tons in 1979/80. *Overall grain shipments in 1980* could be 10 per cent up. An even faster growth rate is fore*cast for coal which has become* much more competitive as a fuel following the rise in oil prices.

Container ships. *Until* recently this side of the business was the most glamorous and oneof the most profitable parts—but no longer. Fierce competition and serious overtonnaging are lead to a sharp decline in profits of established groups such as OCL, ACT(A) and ACL. Most of the major trades have reached maturity, yet over the next couple of years the world container fleet is going to increase by around 40 per cent as companies take delivery of ships being built.

In addition, the large groups are facing increased competition from newcomers like the Taiwanese, Evergreen Line and Mr. Tsvi Rosenfeld's ABC Containerline. The newer diesel-powered container ships are *much more economic than the* big container ships built before the oil crisis of the mid-1970s. *Many owners are being forced* to re-engine their fleets. Finally, the Trans-Siberian Railway is taking a growing share of the Europe-Far Eastern traffic and this will continue in 1980.

Shipbuilding: This is the joker in the pack. The size of ship*yards' order books has shrunk* steadily from 133.4m gross tons (equivalent to 46 per cent of the world fleet) in 1974 to 25.1m tons gross (6 per cent of the fleet) at the start of 1979. However, for the last six months it has started to increase again *and this seems likely to con*tinue in 1980. In the first nine months of 1979 shipyards took *11.1m tons gross of new orders.* This is considerably more than total output and means that new orders are running some 85 per cent above last year's very depressed rate.

Shipyards which had been declared bankrupt in Japan are now back in business. Only five years ago three of the five largest shipbuilders were Sweden, UK and France. Today *they have fallen down the pecking order*, being replaced by countries like Brazil, Poland and Spain. It seems inevitable that this process of relative decline will continue in 1980. However, the Japanese seem to be immune to the new competi*tion—their shipyards are secur*ing at least half of all the new orders being placed.

BY WILLIAM HALL

CHEMICALS

Despite lower growth there will be good opportunities in specialty fields

DESPITE threats of a flood of U.S. chemical exports to Europe and rumours of threats from new chemical producers in the Eastern bloc countries and the Middle East, the outlook for 1980 is far from totally gloomy. A number of European chemical majors are quietly confident about their ability to sustain or increase present growth rates in such areas as pharmaceuticals, agrochemicals and even certain plastics materials.

The prospects for the heavy end of the chemicals business *are undoubtedly grimmer*. The European Council of Chemical Manufacturers' Federations — *CEFIC — is now forecasting* annual growth rates of only 4 per cent and 3 per cent *respectively for propylene and* butadiene—two of the major olefins.

These forecasts, which cover producers in the European Economic Community up to *1983, are well down on last year* when CEFIC predicted a 5 per cent growth rate for propylene and a 3.75 per cent growth for butadiene. But the council is still looking for a 3.8 per cent a year growth in ethylene—the so-called building block of the chemical industry—a figure that is very much in line with what it forecast last year.

Meanwhile the UK Chemical Industries Association is predicting a 2 per cent drop in Britain's chemicals output next year, compared to a 1.5 per cent increase during 1979. The CIA notes that petrochemical margins have improved over the last 12 months but is pessimistic about the ability of producers to maintain these higher margins "in the face of weakening demand, increasing European capacity, expected further substantial rises in feedstock prices and increasing competition, especially from U.S. imports."

Increases of around 20 per cent *in the price of naphtha*—the chemical industry's most important raw material—now seem highly probable in the first quarter of 1980. Negotiations over contract naphtha prices are still continuing but the ball park figure appears to be in the region of $370 a tonne. Current naphtha contract prices are only around $300 to $310 a tonne.

The chemical majors say that if there is a 20 per cent rise in naphtha contract prices, they will be forced to put up their own product prices by between 25 per cent and 30 per cent. But if the much-heralded economic downturn finally materialises in 1980, they could lose volume sales heavily as a result.

Hoechst, the German-based chemicals company, says it is not planning to make any *further investment in its base* chemicals operations. The group adds that if it manages to main*tain two thirds of its 1979* growth rate during 1980 and half of its 1979 profit levels, it *will be "satisfied." Hoechst* notes that some people would suggest these targets were *optimistic.*

But Hoechst, which in common with the two other German majors, BASF and Bayer, has had something of a bumper year in 1979, believes its huge pharmaceutical business will grow in the coming year along with its agrochemicals operations.

The UK-based Imperial Chemical Industries is also tolerably hopeful about prospects for the coming year. It says that the events of the past year seem to bear a strong resemblance to those of 1973-74 when the world oil crisis was followed by a recession which hit the chemical industry hard. But ICI adds that there will still be "plenty of opportunities for efficient chemical companies" and, like Hoechst, it believes there will be room for expansion in 1980 in specialty fields such as agrochemicals and pharmaceuticals.

BY SUE CAMERON

New Year Honours for business and the arts


Kenneth Corfield (*Knight*)


Lord Thorneycroft (*CH*)


E. Roy Sisson (*Knight*)


Peter Prior (*CBE*)


Sir Robert McAlpine (*Baron*)


Richard O'Brien (*Knight*)


Nigel Foulkes (*Knight*)


Austin Bide (*Knight*)


Sir Marcus Sieff (*Baron*)


John Sainsbury (*Knight*)

SERVICE IN agriculture, commerce and industry is recognised in the New Year Honours list, as well as in the arts, sport, broadcasting and journalism, politics, and the Civil Service.

A Baroness and five Barons are created Life Peers; one Privy Councillor and one Companion of Honour are appointed and 32 Knights Bachelor named.

The following selection includes names of special interest to the business world.

LIFE PEERS

BARONESS

Mrs. Jean Alys Barker, for public service in Cambridge and London.

BARONS

Lord Emslie, Lord Justice-General of Scotland and Lord President of the Court of Session.

Sir John Hunt, lately Secretary to the Cabinet.

Sir Kenneth Keith, retiring chairman, Rolls-Royce.

Sir Robert McAlpine partner, Sir Robert McAlpine and Sons.

Sir Marcus Sieff, chairman, Marks and Spencer.

PRIVY COUNCELLOR

Mr. Bruce Weatherill, M.P. for Croydon North-East, Chairman of Ways and Means, House of Commons.

COMPANION OF HONOUR

Lord Thorneycroft, for political and public service.

KNIGHTS

Mr. Harry J. Barnes, director, Glasgow School of Art.

Professor James Beament, chairman, Natural Environment Research Council.

Mr. Charles Bell, for political service in Scotland.

Mr. Ronald Bell, M.P., for political and public service.

Professor Max Beloff, principal of University College, Buckingham.

Mr. Austin Bide, chairman and chief executive Glaxo Holdings.

Mr. William G. H. Clark, M.P., for political and public service.

Mr. Robert J. Clayton, technical director, The General Electric Company.

Mr. Walter Clegg, M.P., for political and public service.

Mr. Kenneth Corfield, chairman, Standard Telephones and Cables, for services to export.

Mr. Colin R. Davis, music director, Royal Opera, Covent Garden.

Mr. John R. Ellis, general physician and dean, London Hospital Medical College.

Mr. Nigel Foulkes, chairman, Civil Aviation Authority.

Mr. Joseph Gold, lately general counsel, International Monetary Fund (Overseas List).

Mr. John D. Grugeon, for service to local government in Kent.

Mr. John D. B. Junor, editor Sunday Express.

Mr. Philip D. Knights, Chief Constable, West Midlands Police.

Mr. Leslie F. Knipe, for political service in Wales.

Mr. Ronald G. Miller, for political service.

Mr. Richard O'Brien, chairman, Manpower Services Commission.

Mr. S. Paul Osmond, *secretary to the* Church Commissioners for England.

Mr. R. Graham Page, M.P., for political and public service.

Mr. David E. W. Parish, for services to education.

Professor Michael Postan, for services to economic history.

Mr. John D. Sainsbury, chairman, J. Sainsbury.

Mr. David Sells, for political service in Eastern England.

Mr. C. Barry Shaw, director of Public *Prosecutions for Northern Ireland.*

Mr. Peter F. Shepheard for services to architecture.

Mr. E. Roy Sisson executive chairman, Smiths Industries, for services to export.

Mr. A. Godfrey Taylor, chairman, Association of Metropolitan Authorities.

Mr. William H. Trethowan, Professor of Psychiatry, Birmingham University.

Mr. Eric Weiss, president, Foseco Minsep, *for services to export.*

Mr. H. David H. Wills, for services to the Ditchley Foundation.

ORDER OF THE BATH
KNIGHT GRAND CROSS

Sir Douglas William Gretton Wass, Permanent Secretary, Treasury.

KNIGHTS COMMANDERS

Mr. Brian David Hayes, Permanent Secretary, Ministry of Agriculture, Fisheries and Food.

Sir Philip Brian Cecil Moore, private secretary to the Queen and Keeper of *Her Majesty's Archives.*

COMPANIONS

Mr. John Alvey, deputy controller, R & D Establishments and Research, and chief scientist Royal Air Force, Ministry of Defence.

Mr. John Anderson Armstrong, Master of the Court of Protection.

Mr. Ralph Benjamin, Foreign and Com*monwealth Office.*

Mr. John Alexander Burgin, deputy secretary, Lord Chancellor's Department.

Mr. John Handel Clement, under secretary, Welsh Office.

Mr. Gordon Stanley Downey, deputy secretary, Cabinet Office.

Mr. George Edward Emery, under secretary, Ministry of Defence.

Mr. Noel John Bebbington Evans, deputy chief medical officer, *Department* of Health and Social Security.

Mr. John Egerton Grey, clerk assistant, House of Lords.

Mr. Peter Harvey, legal adviser, Department of Education and Science.

Mr. Henry Leonard James, lately press secretary, Prime Minister's Office 10 Downing Street.

Mr. Richard Austin James, under secretary, Home Office.

Mr. Donald James Kirkness, deputy secretary, Overseas Development Administration.

Mr. Hans Hubertus Liesner, chief economic adviser, Departments of Industry and Trade.

Mr. Roy Kenneth Price, under secretary, Office of Procurator General and Treasury Solicitor.

Mr. David Andrew Michael Pring, clerk of committees, House of Commons.

Mr. Archibald Londen Rennie, secretary, *Scottish Home and Health Department.*

Mr. Anthony Savage, under secretary, Ministry of Agriculture, Fisheries and Food.

Mrs. Elizabeth Catherine Shore, deputy chief medical officer, *Department of Health* and Social Security.

Mr. Alexander Silverleaf director, Transport and Road Research Laboratory, Department of Transport.

ORDER OF ST. MICHAEL AND ST. GEORGE
COMPANION

Mr. Hugh Wason Turner, under secretary, Ministry of Defence.

ORDER OF THE BRITISH EMPIRE
KNIGHT GRAND CROSS

Earl St Aldwyn, for political and public service.

DAMES COMMANDERS

Miss Phyllis Muriel Friend, chief nursing *officer, Department of* Health and Social Security.

Miss Cicely Mary Strode Saunders, medical director, St. Christopher's Hospice, London, for services to the care of the *dying.*

KBE

Mr. Alfred Hitchcock, film producer and director.


Sir Kenneth Keith (*Baron*)

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Annexation in all but name

THE SOVIET Union's intervention in Afghanistan is an exercise in power politics at its most extreme. As such, it outdoes the precedents so readily supplied by the Soviet Union *itself*: the intervention in Czechoslovakia in 1948, the invasion of that country 20 years later and the invasion of Hungary in 1956. On this occasion Soviet forces moved into Kabul, presided over the execution of an existing leader and installed a replacement from outside almost overnight. Whichever way one looks at it, it is hard to avoid the conclusion that the intention is to turn Afghanistan into a Soviet satellite by what amounts to an act of annexation in all but name.

Long run

It may be said that there are also precedents on the western side. That is right if one cites the Monroe Doctrine of United States influence in Latin America. Yet the last two times anything like it was applied it was a fiasco in the Bay of Pigs in 1961 and the American intervention in the Dominican Republic in 1965 was neither so blatant nor so one-sided as the Soviet coup in Kabul. Besides, the U.S. under President Carter has ceased to behave as an imperial power. It has realised the limitations of military force, and perhaps some of the moral objections to it.

It may also be said, in order to play down the Soviet action, that the Russians have bitten off more than they can chew. Afghanistan is a difficult country whose tribesmen at least will not take kindly to the imposition of Soviet rule. In the long run that view may be correct. Yet one should not underestimate the determination of the Soviet authorities to complete a task that they have once started, nor the suffering that may be involved whether they succeed or fail.

Order

Above all, however, the Soviet action must be seen as an attack on that kind of international order consisting of self-determination and independent sovereign states towards which we have all been fumbling. When it comes down to it, the Soviet Union is interested not in the principles of the United Nations Charter but in great power chauvinism (that Chinese phrase is entirely appropriate) and is prepared to act accordingly.

The question arises of the outside response. In a sense it *will be sufficient if the rest of* the world fully takes note of what the Soviet Union has done. It has shown that it is prepared to get its way by force if necessary. So much should be taken into account when the Soviet leadership speaks on other issues—whether on Africa, the Middle East or Latin America. Its motives are suspect and have been demonstrated to be so. It will be an achievement of a sort if that can be more fully appreciated in the third world.

Yet the western response needs to be more precise. President Carter has defended the second SALT treaty as being worthy of ratification in its own right, and there is something to be said for that approach. Ratification, however, depends on the U.S. Senate and was doubtful even before the invasion of Afghanistan. It must be even more doubtful now. If the Treaty is rejected, or fails to come to a vote, the Russians will have only themselves to blame.

There is a more general lesson. Too often in the past, western policy towards the Soviet Union has consisted of giving the Russians the benefit fo the doubt. "Soviet forces are only defensive" or "It is only natural that the Soviet Union should want to be a great power" were typical apologies. Now we know: *Soviet power exists to be used* and is being deployed at a time when the U.S. has withdrawn from the role of world policeman.

Arms race

We do not want the U.S. to resume that role, though it might yet be necessary. The best way to prevent it is to show the Russians that they cannot have what they want. The western approach to all east-west negotiations will have to be tougher, and the western defence of civilised standards of international behaviour more assiduous. President Carter is on the right track. If the Russians do not respond to reason, they can have the arms race which they will undoubtedly lose.

Pay and jobs in steel

HOWEVER MUCH one may deplore the notion of a "going rate," in the present wage round a figure of around 15 per cent has been established as *the increase which in normal* circumstances union negotiators expect to concede. Most companies presumably reckon that they will be able to recoup the increase through higher prices, or that the costs of granting a 15 per cent claim are less than the costs of resisting it.

A few employers have paid substantially more than 15 per cent, perhaps because they are *short of labour* and need to pay more competitive rates. Others have paid considerably less, or even no increase at all, because they cannot afford any more: *for them* the result of paying anything approaching 15 per cent would be bankruptcy or a sharp contraction in their business. In this third category some groups of workers have accepted their employers' arguments without dispute: others, as at Chrysler UK, have staged lengthy strikes before finally realising that the employer meant what he said.

All this relates to the private sector, where the connection between wage settlements and job security is becoming better understood. The public sector is more difficult, because it is assumed that no enterprise owned by the Government, especially one which occupies a central position in the economy, will be allowed to go out of business. This assumption is at the heart of the dispute in the British Steel Corporation.

The BSC is making large losses. It is subject to competition in the home market and overseas from foreign steelmakers whose costs are lower. *In these circumstances even the* 2 per cent wage increase which was its first offer, supplemented by payments at plant level in return for high productivity, was probably too much. Yet the unions are insisting on an increase well into double figures, apparently on the grounds that steelworkers should not be treated worse than other employees in the public sector.

Coal miners

One can sympathise with the steelworkers' resentment, particularly when they compare themselves with the coal miners. *Their jobs are often as unpleasant and dangerous as those of the miners, and most of them* work at least as hard. It is not obvious why the miner in a loss-making pit should get a 20 per cent increase while the steelworker gets virtually nothing. But while the pay structure and the internal efficiency of the National Coal Board leave a great deal to be desired, coal is in a seller's market and steel is not. There is a surplus of steel-making capacity in the UK and in the world: this is one of the factors contributing to BSC's precarious financial situation.

The unions can put some of the BSC's troubles down to past errors by management and Government — although they themselves are not blameless. It is not the unions' fault that the Corporation launched an expansion programme which turned out to be grossly overambitious, or that indecision and intervention by successive governments undermined the profitability of the business. But the biggest mistake — and in this unions, management and Government have played some part — is that the adjustment to the drastic change in the world steel market and in BSC's financial position over the past five years has been too slow. Now the streamlining of the industry has to be compressed into a very short period, when alternative job opportunities are hard to find.

Productivity

So far the plant closures have provoked less resistance than might have been expected: at *local level there has been no* appetite for a fight. It is not clear whether there is any great desire for a confrontation on wages—though the strike call is likely to be followed, just as it was earlier this year in the engineering dispute. The Corporation has to convince its employees that substantial increases in earnings are available through local productivity agreements and that wage increases not financed in this way will only lead to more job losses. Whether the message *will get through in time to prevent* a lengthy strike looks doubtful. But it is the only feasible posture for the Corporation and one which the Government, if it is to maintain the credibility of its industrial and *economic policies, must continue* to support.

PROSPECTS FOR 1980: Britain

Between the devil and the rich North Sea

BY PROFESSOR JIM BALL

THE "PROPHETIC greetings" that may be sent as we enter the 1980s lack the short-term cheerfulness with which Macbeth might have received his. Those who profess to "look into the seeds of time and say which grain will grow *and which will not*" reflect a high degree of unanimity at least about the general shape of things to come. In spite of the lowly esteem in which such activities are held in high places, it is difficult to believe that in the immediate future they will be proven to have been excessively pessimistic.

The downturn in the real economy has been widely *predicted both officially* and unofficially, indeed no recession since the war has been anticipated so far in advance. Precise estimates of the depth of the *recession vary but the consensus* suggests that total national output, including North Sea oil, will show at best no growth throughout the year and at worst *a substantial decline, while the* outlook for the non-oil sector of the economy is correspondingly worse.

While the rate of domestic inflation should peak during the year, it is likely to remain well *into double figures at the year* end, on the assumption of unchanged economic policies. Real consumers' expenditure is likely to decline during 1980, but some *recovery may be anticipated in* the second half of the year as the economy begins to emerge from the recession, leading to a modest increase in total *output in 1981*.

The year 1981 may be seen as one of mild recovery, although unemployment which lags after the change in output *is expected to continue to rise*. The forecasts suggest that unemployment will exceed 1.5m by the end of 1981 compared with a current figure of about *1.2m—and the more gloomy* prognostications expect this figure to continue to rise in 1982.

Some improvement is seen in *the current account of the balance* of payments, the extent of the improvement depending on one's view as to the depth of the recession. While several *commentators anticipate some* fall in the effective exchange rate during 1980, the eventual outcome will depend on the next instalment of the struggle *between the "oil effect" on* the exchange rate and the economic fundamentals reflected by the behaviour of the money supply. Interest rates *and the rate of inflation.*

To the extent that the Government gets to within shouting distance of its targets for the borrowing requirement and monetary growth, current short term interest rates would be expected to fall sharply during 1980, although rates in the long term should remain high by historical standards.

All this must be seen against a general weakening of world trading as the effects *of the* present oil price shock feed first into prices and secondly into effects on output and employment. World industrial output should fall in 1980, although the final outcome will depend heavily on the performance of the U.S. Of the major industrial countries, only the U.S. and Britain are expected to show actual falls, with positive rates of growth declining elsewhere.

In the longer term, the evidence strongly suggests that growth rates in the OECD countries will, on average, be substantially below the growth rates that characterised their development before 1973. In the new decade, energy supplies will continue to exercise a major restraining influence on economic activity.

The current economic scene in the UK can only be described as confused. For some, the record levels of interest *rates, the acceleration of inflation*, and the high levels of several well-publicised wage settlements are all the consequences of the Government's doctrinaire insistence on monetary control, from which they will only be saved by one of a number of possible U-turns — increasing taxation rather than cutting it, negotiating an incomes policy, or introducing protectionism. Even the faithful from the back benches have begun to growl at the effects of high interest rates on their constituents as the sacred cow of cheap housing finance is *threatened*.

In addition other supporters have begun to complain that the so-called public expenditure cuts are not really cuts at all. The *major impact, it is said, has* merely been to make the pig squeal with rage rather than to result in any serious loss of weight. It is a far cry from the *euphoria of the days of June*.

As a background to the Government's budget and strategy, it is worth considering a summary of the events of the *previous two years*. Between the second quarter of 1977 and the second quarter of 1979, the *British economy underwent one* of the fastest increases in real disposable income and real consumer spending since World War II, disposable income up by 15 per cent and real consumption by over 13 per cent. *Sales of cars reached record* levels. The volume of imports of goods and services rose by 20 per cent. The money supply (sterling M3) rose by nearly 29 per cent, consumer prices by 18 per cent and average pre-tax earnings by 30 per cent.

On taking office, the Government inherited a classic consumer-led boom of major proportions, fuelled by previous tax *cuts and a lax fiscal policy, and* protected from the immediate effect of the classical consequences on the overall balance of payments by North Sea oil.

The boom went hardly *noticed*. *Unemployment only* fell by something over 100,000. Due to the high import content of expenditure, domestic output only rose by 6.6 per cent. Two things were clearly demonstrated; first, that increases in the standard of living have little or no effect in moderating money wage claims and, secondly, the poor supply response of the economy to *major increases in monetary* demand.

The situation was compounded by the second major oil price shock that had started to work its way through the world economy. The world inflation rate had already begun to accelerate, notably in the U.S.

As the present Government took office, it was faced with a situation that was delicate in the extreme — *a weakening* economic world outside, and a fiscal policy at home that already required relatively high interest rates to reconcile it with the extremely modest monetary target adopted by its predecessors. It took office as a Government committed to the use of monetary control as the central anti-inflationary weapon. It also took office as a Government pledged to *cut taxation at all levels*.

From the outset, it was clear that it was going to have great difficulty in riding both these horses at once, since there were bound to be problems in achieving rapidly enough, effectively *enough and sensibly enough* the reductions in public expenditure required to reconcile the tax reduction programme with firm monetary control. The radical shift between direct and indirect taxation substituted one short-run problem *for another* in artificially raising the rate of inflation. The room for manoeuvre was so limited that even such "minor" issues as the inability of the Post Office to collect its telephone bills were bound to make it difficult for the Government to maintain firm monetary control.

The potential weakness of monetary control, when ultimately allied with the decision to abolish exchange controls, made it inevitable that interest *rates would have to rise* substantially sooner or later. In itself, the abolition of exchange controls is in principle much to be welcomed. However, its *timing is open to question*. The rise in U.S. interest rates and the weakness of the dollar were unfortunate, but should not have been decisive. Accepting, for the sake of argument, the merits of the strategy, the tactics the Government has pursued are eminently questionable.

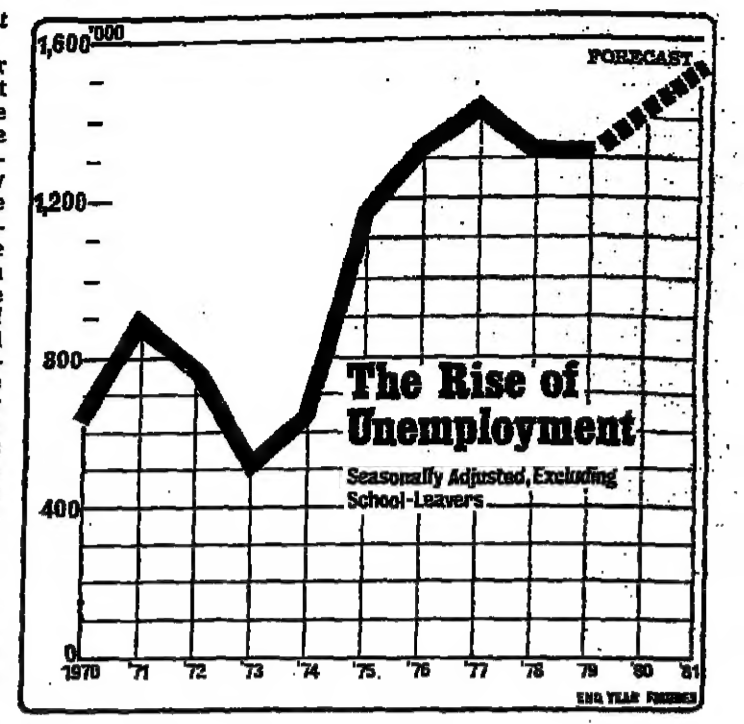
From this, three dubious conclusions can be drawn by *different parties*.

● The first suggests that the accelerating inflation and high pay settlements that have been observed make the return of some kind of incomes policy inevitable. There are issues here *of both practice and principle*.

In principle there is no objection to the use of persuasion to help the process of adjusting from higher to lower *rates of inflation with as little* disruption as possible to output and employment, provided it is clear that such persuasion is no substitute for the monetary adjustment *that is required*.

As to practice, there are two points to make. The first is that, even within a monetarist philosophy, it will take a long time and much firmer monetary control to show the extent to which restrictions on monetary growth will reduce the inflation in the longer run. Secondly, as the National Institute has recently pointed out, incomes *policy at present* ". . . *is not a* practical proposition . . . because it would not receive support from the Government, the trade unions or even *(sic)* the CBI."

● The second possible conclusion is that what is required to put the economy on the right road is a strong dose of *protectionism allied to expansionary* domestic demand policies.



Growth in imports allied to expansion of consumers' expenditure is indeed impressive (or depressing), but the conclusion *that this points to import* restrictions rests on the doubtful proposition that permanently higher domestic output can be simply achieved by the diversion of monetary demand.

Given that the deficit on current account can also be substantially attributed to a low supply response, *it is quite unclear* why a diversion of monetary demand toward domestic output should result in a permanent increase in output rather than higher prices and money wages. If it were *attempted to plug that leak with* price control, we would be back to having difficulties with profits, with which there are enough problems as it is. This *would no doubt then dictate* further direct Government intervention in industrial investment. And so on.

● Thirdly, it will be concluded by some that monetary control of necessity requires "high" interest rates. Nothing is farther from the truth. The present levels of interest rates, as explained above, are not the consequences of tight monetary *control*. *They are the consequences* of weak monetary control. If the Government is to be criticised, it can hardly be on the ground that it *represents doctrinaire monetarism*, however useful a political stalking horse that may be. Given that the borrowing requirement at an annual rate *may fall sharply* anyway by *the* second quarter of next year, it is not too late to begin to recover lost ground.

What should follow from all *this, given the Government's* commitment to reducing the inflation rate by monetary control? *First, it is essential for* the Government not to abandon the idea of a proper financial *plan, together with such targets* as are necessary which are clearly and publicly understood. Altering expectations is the key to reducing the inflation rate in *the longer term*.

Secondly, the Government should seriously reconsider its tax policy in the light of monetary policy. There is no *evidence that the average rate of* tax in Britain is excessive—it is the structure that needs carefully looking at.

Third, there is a crying need for a more sensible approach to public expenditure in its own *right*. *The idea that public* expenditure exists to provide people with work is a dangerous and misleading idea, which lies at the heart of the worst kind *of Keynesianism*. *But that does* not in itself make public expenditure in any way undesirable, *either in principle or* in practice. The tactic *of effecting cuts* across the board maximises the degree of resistance and brings together strange bedfellows in a common cause. In addition, a lack of *discrimination* and a lack of criteria other than a general desire to cut public expenditure may result in structural damage in the name of *monetary control*.

The control of the money supply is central to the control of inflation. But monetarism has nothing to say about the optimum size of public expenditure or even the underlying rate of economic growth. *In fact,* it is the essence of monetarism that it is "not enough." That is precisely what it says.

Professor Ball is Principal of the London Graduate Business School.

ECONOMIC PROSPECTS TO END 1981

	1979	1980	1981
Gross Domestic Product (Compromise estimate 1975 prices)	1.0%	−0.5%	1.0%
Consumers' expenditure (1975 prices)	2.0%	1.5%	1.5%
Consumer prices (per cent change)	16.5%	14.0%	11.0%
Money supply (Sterling M3)	12.0%	10.0%	8.0%
Effective exchange rate (1970 = 100)	69.0	66.0	65.0
Borrowing requirement (£bn)	9.5	10.5	11.0
Current account of the balance of payments (£bn)	−2.5	−1.0	−0.7

Notes
(i) Percentage changes represent the increase of the final quarter of the year over the final quarter of the previous year. The effective exchange rate is the forecast index for the first quarter of the year. The borrowing requirement and the current account of the balance of payments are the forecast totals for the calendar year.
(ii) The forecasts given are based on recent published estimates by the London Business School and the NIESR. They are not precise averages of the two sets of forecasts. The forecasts assume the continuation of "existing policies."

MEN AND MATTERS

Sir Bob bows out of chip making

Robert Clayton, technical director of GEC and from tomorrow boasting the handle "Sir," tells me he has resigned his chairmanship of GEC-Fairchild and all other directorships of companies within the GEC group which might conflict with his membership of the National *Enterprise Board. No announcement* of this has yet been made, nor has a successor to the chairmanship been named.

Clayton—who remains a main board director of GEC—was widely felt to be courting an *inevitable conflict of interest by* joining the NEB in view of its investment in Inmos, the Anglo-American semi-conductor company. As one leading figure in *the electronics industry put it* to me: "It's an extraordinary situation for a man in his position to have access to the Inmos business plans, their results, and their strategies."

Similar noises were made in Parliament—less surprisingly, perhaps in view of the ructions *caused by the NEB shake-up* which resulted in Clayton's appointment. Clayton says that he resigned the chairmanship of GEC-Fairchild—which intends to mass produce integrated circuits in the UK—"within a day or two" *of being appointed* to the NEB. "Questions," he acknowledges, "could be asked." But he feels no real conflict of interest existed. As a veteran of numerous government advisory committees he is, he says, "quite accustomed to keeping my life in compartments."

This no doubt applies also to *the misgivings he has voiced*—though rarely in public—about the "*rather odd*" way in which the NEB's initial investment in Inmos was handled. When the GEC-Fairchild deal was announced a year ago he dismissed Inmos as not a threat, and pointed out that it lacked a *marketing force, something he felt* was an essential starting point.

Spreading favour

Mrs. Thatcher was evidently anxious that her first New Year's honours list should reflect as wide a cross-section *of British public life as possible*. With this in mind, those responsible for making the recommendations came up with a shepherd—one Donald MacPherson; a prolific foster parent a Mrs. Gaunt, who has fostered over 350 children: and a street sweeper from Peebles. His devotion to the job must surely win Mrs. Thatcher's personal Man of the Year award: he starts work two hours earlier than he has to, at 5 am instead of 7 am, to ensure that the streets are nice and clean by the time other people go to work.

... and forgiveness

The Prime Minister was *inhibited from showing the same* balance in the political honours —included in the list for the first time since 1974—partly because of James Callaghan's refusal to submit any Labour Party worthies.

But if the list of local Tory Party workers shows a wide *geographical spread, the list of* MPs' honours shows a distinct leaning to the right. It also indicates that some old scores are being forgotten—all five of the newly-knighted MPs are on the right of the party, and both Ronald Bell and William Clark have in their time flouted the *party whips on key votes on* Rhodesian sanctions. Clark was among the group which rebelled last summer, but he has evidently made up for this as chairman of the Conservative finance committee—it is this committee which has helped fuel the party's enthusiasm for spending cuts.

If quango-hunting has become Westminster's new sport, Mrs. Thatcher has at least made clear she means nothing personal by it: Richard O'Brien, chairman of the Manpower Services Commission, *also becomes a knight*. The MSC is being cut along with

"Don't ever give up, do you?"

everything else, says Sir Richard, but has not come in for *any undue hostility*. Appropriately enough, O'Brien was chairman of the specially-formed Crown Appointments Commission which put forward recommendations for the appointment of the new Archbishop of Canterbury, Dr. Robert Runcie, the first time this procedure has been used.

Industrialists looking forward, no doubt, to enjoying their first *House* of Lords debate, include Sir Edwin McAlpine, partner in *Sir Robert McAlpine and Sons*, and Sir Marcus Sieff, chairman of Marks and Spencer. Both have close links with the Tory Party. Sir Edwin is father of the party treasurer, Alistair McAlpine, while M and S is one *of the party's more generous* benefactors.

I note, incidentally, that John Junor, perceptive editor of the Sunday Express, collects a knighthood, while the paper's proprietor, Victor Matthews, remains plain "Mr." His star will rise next time, perhaps?

Giscard grounded

President Giscard d'Estaing will have to give up his favourite sport in the New Year — helicopter trips to the summits of France's snow slopes and ski-ing down to the valleys.

Instead Giscard will join lesser French holidaymakers in the queues for ski lifts of the conventional variety. Opposition by majors of Alpine resorts and by environmentalists, not to mention other skiers, has killed off this form of leisure, reserved — inevitably — to the wealthy. Jean-Pierre Soisson, Minister for Youth, Sport, and Leisure has *decreed that helicopters must in* future be used only for rescue missions.

If this brings relief to those tired of being simultaneously deafened and swept off course by miniature artificial snow storms, Giscard will not be pleased. Earlier this year he used a helicopter at Chamonix to convey him to Le Buet, a 10,000 ft peak in the Mont Blanc range normally out of bounds to all skiers. The summit was subsequently the scene of a punch-up between supporters and opponents of helicopter ski-ing, *some indication of the Gallic* passions the issue has aroused.

In the limelight

The first few yards down the slip-road into 1980 will be enlivened for some 350 better-*heeled revellers* by the limelight Ball at the Savoy. The ball acquired its name from the world premier of Chaplin's film, which was organised by the Royal London Society for the Blind; by tomorrow it will have seen in 27 successive years.

Proceeds expected to exceed £20,000 will buy further braille facilities for blind children at the Dorton House School in Sevenoaks, Kent. Three self-taught musicians from the school will also be supplementing the cabaret: "They played last year and were so well-received that they are coming back by *special request*," says William Pascoe, general manager and secretary of the society.

Observer

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PROSPECTS FOR 1980: Energy

OPEC still calls the tune

By RAY DAFTER, Energy Editor

"I HAVE decided to put on paper an account of what really happened in 1979 — the year the world, as we knew it, fell apart."

WITH those words Paul E. Erdman opened his novel. The Crash of 79*, an almost prophetic tale of Middle East rivalries centred on Iran; an account of how oil production, political power and the worldwide economic system are inextricably linked. Erdman concluded: "The world was now forced to live with a bank system that lay in ruins, with monetary chaos, and with the prospect of having to survive on half of its former oil reserves. The lights everywhere gradually began to flicker and fade."

He was wrong. In spite of Iranian troubles, disrupted oil supplies and swingeing price increases which applied further pressures to the West's economic system, the developed world in 1979 did not fall apart.

But it shuddered and the shock waves of tight energy supplies, high fuel prices and reduced economic activity are likely to be felt throughout the coming year. Once again, the availability and cost of energy will feature prominently in the development or retrogression of the world's economic system in 1980.

A warning has been sounded by the 24-nation Organisation for Economic Co-operation and Development which, just before Christmas, was forced to make even gloomier its already grim economic predictions for the coming year. It concluded that on the basis of the average oil price of about $26 a barrel on January 1, the OECD area's gross national product was likely to increase by no more than 0.3 per cent next year instead of the 1 per cent originally forecast. This would compare with an average growth in 1979 of more than 3 per cent.

The U.S., the world's biggest oil importer, will be among the worst hit. The OECD reckons that the U.S. will face a decline in its GNP over the next 12 months of 1.25 per cent. Massachusetts-based economic forecasters Data Resources is more pessimistic. It sees the U.S. suffering an economic decline of 1.4 per cent. The sectors most likely to be hit will be residential construction and business fixed investment. New car sales might be pushed down by a further 300,000, in addition to the decline expected before the latest round of oil price rises; it is expected that only 9.4m new cars will be sold in the U.S. in 1980 as against 10.6m in the past year.

Data Resources has made its calculations on the assumption that the average price per barrel of oil imported into the U.S. from tomorrow will be $29.30, with Middle East crudes costing an average of $26 and African oil being priced at $30. It is assumed that prices will continue rising after the first quarter at an annual rate, in real terms, of 4 per cent.

OIL IMPORT TARGETS

	1980 m. tonnes a year	1980 m. barrels a day	1985 m. tonnes a year	1985 m. barrels a day
Australia	13.5	0.27	17.0	0.34
Austria	11.5	0.23	13.5	0.27
Belgium	30.0	0.60	31.0	0.62
Canada	7.4	0.15	29.4	0.60
Denmark	16.5	0.33	11.0	0.22
Germany	143.0	2.87	141.0	2.83
Greece	14.8	0.30	16.5	0.33
Ireland	6.5	0.13	8.0	0.16
Italy	103.5	2.08	124.0	2.49
Japan	265.3	5.40	308.7	6.30
Luxembourg	1.5	0.03	2.0	0.04
Netherlands	42.0	0.84	49.0	0.98
New Zealand	4.2	0.08	4.4	0.09
Norway	−15.5	−0.31	−18.3	0.37
Spain	51.0	1.03	52.9	1.06
Sweden	29.9	0.60	29.0	0.60
Switzerland	14.0	0.28	14.5	0.29
Turkey	17.0	0.34	25.0	0.50
UK	12.0	0.24	−5.0	−0.10
U.S.	437.2	8.90	436.0	8.90
TOTAL	1,205.3	24.50	1,289.6	26.20
Less bunkers		1.40		1.60
		23.10		24.60

Any discrepancies in final totals are the result of rounding.

Source: International Energy Agency

WORLD PRIMARY ENERGY CONSUMPTION*

(m. tonnes oil equivalent)	1969	1970	1977	1978	1979†	1980‡
Oil	1,792	1,939	2,406	2,478	2,510	2,500
Natural Gas	701	733	828	853	870	890
Coal§	835	833	821	826	850	850
Water power	255	264	321	344	350	370
Nuclear power	15	19	118	137	145	180
Total	3,598	3,788	4,494	4,638	4,725	4,790

* Excluding USSR, Eastern Europe and China.
† Estimate.
‡ Forecast.
§ Non-commercial solid fuel—i.e. peat, wood, animal wastes etc.—could add a further 300m tonnes of oil equivalent a year to the total energy consumption levels.

Source: British Petroleum and industry estimates

No-one knows how oil prices will move next year: Libya intends to raise the average price tomorrow to $34.50 a barrel, and the other Africans may soon follow. The last ministerial meeting of the Organisation of Petroleum Exporting Countries ended in pricing confusion.

Gone are the days (at least temporarily) when Saudi Arabia's light Arabian crude can be recognised as the pricing "marker." Today that price stands at $24 a barrel, after a defiant Saudi stand in the cause of moderation at the OPEC meeting. Iran's light crude oil, which in the past has been priced a few cents above Saudi's "marker," is now costing between $28.50 and $45 a barrel, depending on whether the crude is exported on a contrast basis, through the spot market, or through Iran's specially conceived "administered spot" market.

With African crudes about to rise above $30 a barrel, British oil producers are sucked into the pricing spiral. North Sea crudes are priced competitively with those of the African producers; the UK (like Norway) has resisted pressure from importing countries in western Europe to charge lower prices. Consequently within the next few weeks North Sea oil will go up in price from the present range of between $25.27 and $26.27 a barrel.

That should provide some comfort for the British Government, faced with a declining GNP next year. At $30 a barrel Government revenues from the North Sea will be some £2.5bn in 1980 and $5bn in 1981 as against £2.2bn and £3.3bn respectively with a price of $25 a barrel. Wood, Mackenzie, the stockbrokers, reckon that if the price rose to $35 (not impossible, in the light of recent statements by Libya and Iran) UK Government revenues would swell to £2.8bn next year and £6.6bn in 1981.

However, Sheikh Ahmed Zaki Yamani, Saudi Arabia's Oil Minister, believes there is a real chance of some of the more extravagant prices being reduced in the New Year as a result of a possible glut in oil supplies. At the end of the OPEC meeting he pointed out that producers were supplying oil at a rate around 1m barrels a day above consumption levels. The excess oil was being stockpiled.

Stock levels are indeed at record heights but it is usual, during the first quarter for there to be a drawing down of this oil store in order to meet seasonal demand. This year was exceptional in view of the Iranian troubles and during the first three months stock levels were reduced at the rate of 6.2m barrels a day. In the coming three months the oil industry may be able to get by with around half this rate, in which case Sheikh Yamani's prophecies should prove correct.

Much will depend on the stance adopted by the two main actors—Iran and Saudi Arabia. The signs are encouraging. Saudi Arabia has said it will continue producing oil at its enhanced level of 9.5m b/d. The kingdom has recently demonstrated that it could, if necessary, sustain an output of around 10.2m b/d.

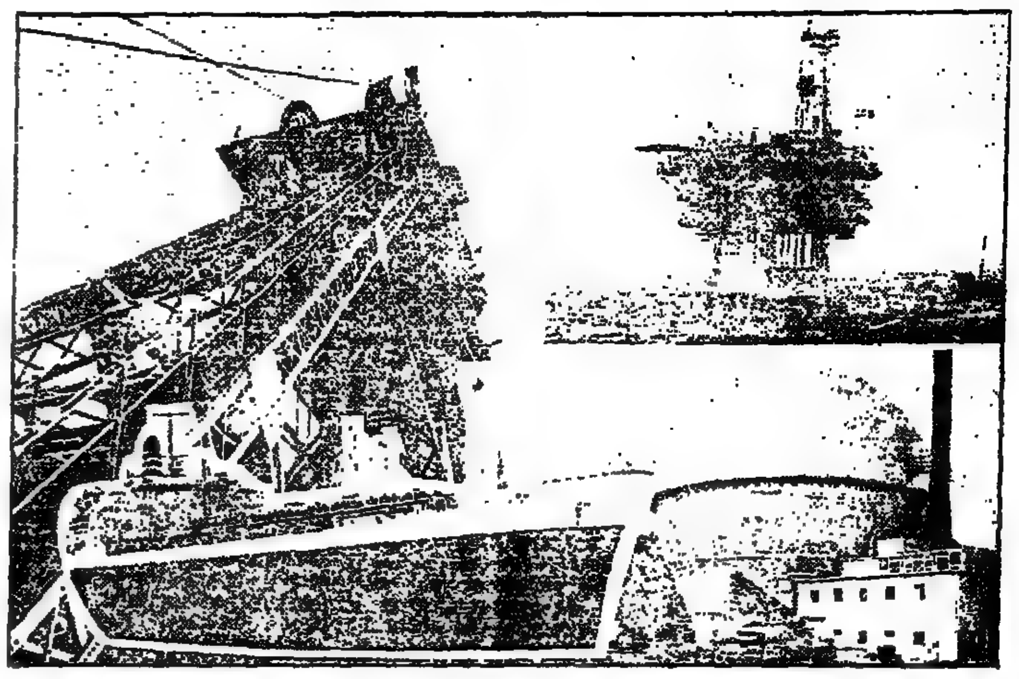
Could this be a hint that Saudi Arabia would be prepared to offset a radical reduction in supplies by other OPEC members? Iran has indicated that it will reduce its output next year. However, in the few days before Christmas Iran's production level was running at between 3.7m b/d and 3.9m b/d—considerably higher than earlier in the month—even though it was in supply negotiations with major oil companies like British Petroleum and Shell.

Lower economic activity within the OECD countries should reduce the level of oil demand next year. Latest industry estimates suggest that non-Communist countries will require between 51m and 52m b/d as against 52m to 53m b/d during the past 12 months. A more aggressive approach to energy (particularly, oil) conservation would reduce the demand even further.

Energy Ministers from the 20 main oil consuming countries have agreed to reduce even further their national import targets for 1980 and 1985. Under the umbrella of the International Energy Agency the ministers met just before the OPEC summit and agreed to hold next year's imports at no more than 23.1m b/d, plus 1.4m b/d of bunker oil (used in tankers transporting the crude from producing countries). This level is roughly equivalent to 1979 imports.

The group lowered its 1985 target from the 26m b/d level, set in March this year, to 24.6m b/d, plus bunkers. The U.S., which has always been criticised as being a profligate oil user (its per capita consumption is well over twice that in western Europe and over five times that in the world as a whole) had asked for even tougher limits.

Unfortunately, the IEA's room for manoeuvre is restricted by the legacy of past energy policies. Quite simply the developed countries have relied too much and for too long on oil meeting the bulk of their energy needs. They have become trapped by their inability to switch quickly to



other forms of energy. Only now, in the wake of the second oil crisis of the 1970s, is the lesson being learned that it can take a decade or more to plan, build and commission a major energy project. And even this can be prolonged by environmental assessments, political wavering, and the due process of public consultation.

Hence there is little hope of the coal industry being able to help over any energy shortfall in the next 12 months, or the next few years for that matter. Neither producers nor consumers are geared up for a major coal expansion in the short-term.

Consequently, coal consumption in the non-Communist world is unlikely to rise above this year's estimated level of 850m tonnes of oil equivalent —an increase of a mere 1.8 per cent above consumption in 1969. As a yardstick primary energy consumption in the non-Communist world rose by 31 per cent during that period, but oil demand increased by around 40 per cent.

Natural gas should be able to meet a slightly increased proportion of world energy demand again next year although the price of supplies will be firmly linked to that of oil. The international trade in liquefied natural gas — mainly from North Africa, the Middle East and Indonesia—is slowly being built up. However, most countries like to reserve their gas production for their own use. Britain is particularly fortunate in this respect. Not only has it assured access to the large quantities of gas under its portion of the continental shelf, but it is also able to buy gas from Norway which — because of its oil and hydro-electricity — has little need for this particular fuel.

Given the limited growth prospects of natural gas energy consumers are left with one other supply option: nuclear energy. According to BP, nuclear power output increased almost tenfold between 1969 and 1979. However this growth —from 15m tonnes of oil equivalent to an estimated 145m tonnes this year—reflects the low starting base. Nuclear energy has not expanded as quickly as had been foreseen.

In 1974 the OECD was expecting nuclear production to reach 755m tonnes of oil equivalent by 1985. Last year the forecast was trimmed to 325m. Even that might be optimistic. For while there are signs that developed countries are prepared to move ahead with nuclear expansion—Britain's newly-announced programme for 15,000 megawatts of additional capacity is a case in point —it will not come quickly enough to ease short-term energy supply problems significantly.

The conclusion is inescapable. The oil industry will be expected to supply over half of the world's energy next year as it has done over the past decade. Members of OPEC will supply some 55 per cent of the non-Communist world's oil and will continue to have a decisive influence on the overall price level of oil in particular and energy in general.

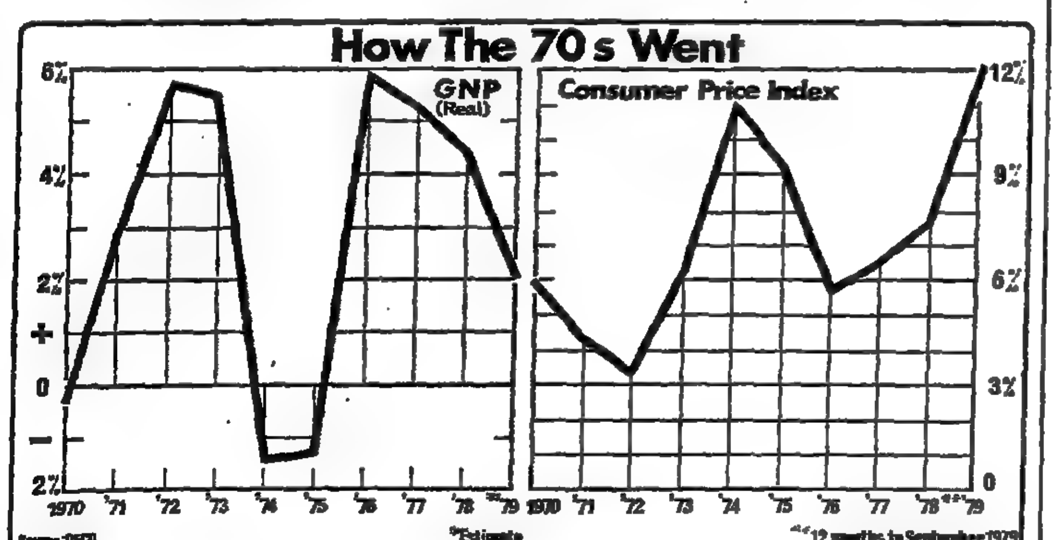
If, as Sheikh Yamani thinks, there will be more than enough oil to go around, many of the supply and pricing problems which appeared in 1979 could begin to ease in the coming months. On the other hand, if there is further disruption in Iran or, worse still, major political disruptions in Saudi Arabia, the energy supply picture could become even more chaotic. It is to be hoped that Paul Erdman, in his Crash of '79 was wrong and not just premature.

* The Crash of '79, Paul E Erdman; copyright 1976 by Daisy Chain International and published in Great Britain by Martin Secker and Warburg Ltd., 1977, and Sphere Books Ltd., 1977.

The United States

Recession to order

BY PROFESSOR PAUL SAMUELSON



MOST AMERICAN experts now take the view that 1980 will be a year of mild recession.

I began my Financial Times forecast 12 months ago with precisely these words except that 1979 appeared instead of 1980. We shall not know for another year whether the economic history book will declare 1979 to have been a year of genuine American recession. Still, it is clear that the U.S. has been in a growth recession for 12 months now.

On my reading of the evidence, our private economy has been showing remarkable strength. Why then did 35 of 40 consensus forecasters predict a real decline of U.S. gross national product in 1980? Why do I put the betting odds on that outcome?

The recession we expect will have written on its bottom, Made in Washington. On November 1 1978, to defend the plummeting American dollar, President Carter promised the world an American recession. His promissory note came due and was presented for payment to the Federal Reserve Chairman, Mr. Paul Volcker, on October 6 1979.

Tight enough money will, I believe succeed in curtailing deficit spending on construction and equipment. The Federal Reserve ought to have the political freedom to press its campaign against inflation. Its unpopularity, and the political reprisals this will bring, can be expected to come only after it has succeeded in producing its desired recession.

This interpretation explains why most analysts are not expecting a really serious 1980 recession. If inventory stocks could be seen to be grossly excessive, that would have ominous implications for the future, but going by the statistical evidence, corporations seem to have been careful in handling their inventory. Business had fair warning, that the vigorous 1975-78 expansion is over.

Why has it taken so long for Washington to produce its desired recession? Aside from the mentioned strength in the private economy the reasons I detect have to do with the technical mechanism by which monetary control works

Those of us who are not monetarist, realise that there is no automatic magic relationship between the supply of M and the nominal gross national product. In the past when the Federal Reserve clamped down on M, that raised competitive interest rates. In the past there were all sort of regulated ceilings on the interest rates that mortgage lenders could charge and bank depositors could receive. Inadvertently, this produced a strong rationing device to throttle down on residential housing construction. So, soon after the Federal Reserve tightened, it could achieve its desired cooling off of the American economy

Those days are almost gone. Now we are phasing out many of these investment rates ceilings—to cheers, say most of us. Now even after the Federal Reserve has tightened we can still find mortgage money to finance building of a new house. The interest rate we must pay goes up, but such rises cool off the housing market only slightly.

Result: under freedom we must expect greater fluctuation, in interest rates, and less effective short run monetary policy.

Will the U.S. economy pull down the rest of the world into recession? I do not think we shall be so weak as to force the principal economies abroad into recessions they do not want. But of course Europe and Japan face some of the same problems the U.S. has been facing. OPEC is raising the price of oil to all of us. This places burdens on the balance of payments. It adds to inflation.

So, I should expect 1980 to be a year of deceleration of real growth in Japan and Western Europe. This ought to moderate the explosive manufacturing growth in South Korea, Taiwan, Singapore, Hong Kong, Malaysia, and the Philippines. It should serve as some check on the price inflation in food, fibre and metal staples. (Gold and silver being Las Vegas and Monte Carlo vehicles will follow their own unpredictable law.) Among the many consensus forecasts, I have chosen for my table forecasts from the well known Wharton Model. It is prepared on the University of Pennsylvania computer by Professor Lawrence R. Klein and his co-workers. It is typical of present day informed opinion but is of special interest because Professor Klein is a bit more pessimistic than the crowd about probable future U.S. inflation and unemployment.

Does it matter that 1980 is an election year? I do not think this is critical. At this time Senator Edward Kennedy's challenge to President Jimmy Carter does not seem to be going particularly well. The Iranian crisis has improved the President's prospects. There is almost as much political mileage to be gained from fighting inflation as from fighting a recession. What one should bet on is increased pressure from the electorate to provide macro stimulus only after the recession is perceived to be fairly serious and placing burdens upon the unemployed.

Since 1980 is not only a New Year but the beginning of the 1980s, are there some new and dramatic American trends to be discerned? On the whole the U.S. economy has performed better in comparison with its potential than the Japanese and European economies did. This is insufficiently appreciated abroad but a review of the statistical records will confirm it. None the less as the U.S. enters the 1980s its problem of stagflation is unsolved. It is in worse shape than when we entered the 1970s and there is no evidence that we are making any progress towards its solution. Yet the diseases we suffer from will not kill us. They are the ailments of affluence and we shall be able to live with them.

FORECAST FROM WHARTON MODEL

QUARTER BY QUARTER 1980	1st	2nd	3rd	4th
GNP (real)*	−2.1	−1.8	+0.5	+2.8
Consumer Price Index*	+12.6	+12.1	+10.6	+10.4
M1*	+6.5	+7.1	+7.0	+7.8
Profit Growth*	0	−2	−2	+5
Unemployment rate	7.0	7.6	8.0	8.0
Short term interest rates	13.1	11.9	10.6	10.0
Long term interest rates†	10.7	10.6	10.4	10.3

* Annualised. † Moody's Total Corporate Bond.

UK NEWS

● News analysis—Aero-engine prospects and problems

£4bn orders in R-R bag

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

ROLLS-ROYCE, the state-owned aero-engine manufacturer, is moving into 1980 with the biggest order book in its history—worth about £4bn in both direct orders and related spares business through the 1980s.

Over the past two weeks, the company has logged new orders with £140m for its RB-211 engines in Lockheed TriStars and Boeing 747 Jumbo jets, bringing the total inflow of new business in 1979 to about £1m.

The task facing Sir Frank McFadzean, the new chairman, who moves in during next month, succeeding Sir Kenneth Keith who has guided the company for the past seven years, will be to ensure that this massive order book is met on time, on cost and on specification.

Sir Kenneth has made no secret in recent months of the company's need to improve its productivity to meet the tough delivery targets set it by its customers world-wide.

The company's expectation is that, if it can do that, its order book will expand substantially in the years ahead. Even assuming that current fuel price rises and economic difficulties may slow the rate of air traffic growth and thus the rate of re-equipment by the airlines, there is still expected to be a demand for upwards of 3,500 new airliners between now and the mid-1980s.

This is based on the fact that existing airliners are ageing (many have been in service for nearly 20 years), are fuel-thirsty (they are based on technology that substantially pre-dates today's fuel prices), and are unacceptably noisy from the environmental viewpoint.

That such a "re-equipment tide" is now flowing is shown by the fact that in the two years since January 1, 1978, no fewer than 1,700 new jet airliners of various kinds have been ordered world-wide, and that if options are also included, the figure is closer to 2,000. Rolls-Royce has already picked up a sizeable share of this with its RB-211 engine in its various versions in the Lockheed TriStar, the Boeing 747 Jumbo jet and the new Boeing 757 twin-engined short-to-medium haul jet, and hopes to win much more.

The total market for civil aero-engines of all kinds world-wide through the 1980s is estimated at not less than £15bn, representing about one-third of the £45bn that is likely to be spent on the 3,500 airliners already mentioned. Of this, Rolls-Royce's target is to win anything up to one-third, or about £5bn worth of civil engines.

More difficult

The military field is much more difficult to quantify, but it has been estimated that total demand for combat aircraft of all kinds world-wide could be even greater than that for civil airliners, as existing programmes and planned new types of aircraft come to fruition. With a potential market of about £90bn world-wide, the engine component would again account for about one-third, or £30bn. Rolls-Royce believes that even if it picks up only 20 per cent of that, or about £6bn, it will be doing well. Aircraft in which it already has a sizeable market share include the Anglo-West German-Italian Tornado multi-role combat aircraft, while new types planned for which it must be considered a major engine contender include the possible Anglo-West German-French-Italian tactical combat aircraft, based on the UK's AST-403 and the West German TKF design studies.

Thus, the cumulative engine market at which Rolls-Royce is aiming for the 1980s and beyond is in the region of £11bn. The eventual figure, however, could vary substantially. Any engine manufacturer has only to lose one competitive battle in either the civil or military aircraft field to be out of a market worth many hundreds of millions of pounds over the in-service life of the aircraft concerned.

The company's long-term strategy in the civil field envisages an investment of over £400m over the early to mid-1980s in both existing and new civil engines. Of this sum, about £200m will be borrowed from the private sector — approval for the company to do this was announced by the Government just before Christmas — while the remainder will come from equity and loan capital, provided directly by the Government.

The programme includes two distinct series of power-plants. The first is the continued development of the RB-211 family in all its versions to meet increasing sales of Lockheed TriStars, Boeing 747 Jumbo jets and now, it is hoped, also the new Boeing 757 twin-engined short-to-medium range jet, for which Rolls-Royce has the launch orders from British Airways and Eastern of the U.S. with its Dash 535 variant of the RB-211.

The cash involved in these developments is probably around £250m, of which undoubtedly the bulk is accounted for by the Dash 535. Although a derivative of the RB-211, the Dash 535 is in effect a new engine, requiring substantial development in its own right, and thus also substantial development cash before production deliveries to Boeing begin in 1981. Another version of the RB-211 is under development for possible use in the European Airbus, but so far there have been no customers for that airframe-engine combination.

The second series of civil power-plants that will require substantial cash is the new RB-432 engine of 19,000 lbs thrust for any new generation of short-to-medium range airliners that may emerge in the new few years, and the RB-401, a smaller engine of about 5,500 lbs thrust for the next generation of business jets and light military aircraft.

Within the past few weeks, Rolls-Royce has announced a major agreement to develop the RB-432 jointly with the Japanese aero-engine industry (Ishikawajima-Harima Heavy Industries, Kawasaki Heavy Industries and Mitsubishi Heavy Industries) on a 30-50 basis.

This agreement is a vital step towards winning UK Government financial support for the engine, for it is clear that Rolls-Royce cannot finance all of its £150m share of the £300m likely to be involved from its own resources.

But the UK Government has made it clear that its financial support will be dependent upon winning markets for the new engine, and finding these must be one of Rolls-Royce's major tasks in the coming year.

It is significant that potential airframe users of the engine — Fokker of Holland with its projected F-29 airliner, and Airbus Industrie with a possible 120-160 seater jet airliner — have both also been discussing collaboration with Japan.

Another potential market for the RB-432 that could emerge is from Boeing, which sees the engine as a possible power-plant for any derivative of its highly successful 737 jet airliner in the 120-160 seater airliner battle that seems likely to emerge in the early 1980s. Boeing has been pressing Rolls-Royce hard to start the RB-432, but has not yet firmly committed itself to adopting the engine.

But Rolls-Royce faces bitter and intensifying competition from its main rivals — General Electric and Pratt & Whitney of the U.S., and CFM International (the Franco-U.S. consortium comprising Snecma and General Electric) on the Continent. Collectively, these companies have power-plants that cover virtually the entire spectrum of civil aero-engine development, so that wherever Rolls-Royce turns, it will find a tough competitor confronting it. General Electric, with the CF6 series, and Pratt & Whitney with its JT9D engine series and now also its JT10D, can compete with Rolls-Royce in most RB-211 markets, while CFM International, with versions of its CFM-56, can compete with both the Dash 535 and RB-432.

But big problem currently facing Rolls-Royce is not so much finding markets for new engines, but ensuring that it meets existing contractual commitments, something that will strain its resources considerably, especially if orders continue to rise. The company is already several weeks behind schedule with the Dash 535 engine, and cannot afford any repetition of the recent engineering strikes which forced it to shut down temporarily, so throwing many programmes out of gear.

Opportunities

But this does not mean that the company can afford to ignore new market opportunities while it is struggling to meet existing commitments. It has been stressed repeatedly by the company that aero-engine development is a continuing, long-term business, and that the substantial cash returns only materialise after many years of development.

Moreover, if at any time the company drops out of a specific market, either for lack of development cash or deliberate policy reasons, there is no way it can get back into that market in the future. The other aero-engine manufacturers are waiting to jump in and mop up any area of activity that Rolls-Royce leaves vacant. Moreover, if the UK wants to remain in the big league of engine manufacturers, it must be prepared to cover the entire spectrum of such activity, for one type of engine development cross-fertilises another. The Dash 535 could never have been done without the earlier work on the RB-211, and the new RB-401/RB-432 series although new engines, owe much to the RB-211 also. The stakes in aero-engines development are high, and the investment periods long, but the rewards for success can be substantial, too.

Pollution is worse for drivers than cyclists

THE city businessman, in his air-conditioned limousine in a traffic jam, suffers more from carbon monoxide than the cyclist riding through the thick of the exhaust fumes.

That was what Dr. Ronald Williams, of Chelsea, found when he acted as "guinea-pig" in an exhaust fume experiment to find out if the fumes were as dangerous for cyclists as claimed.

Dr. Williams said: "An otherwise excellent American book on cycling says that breathing in the air of city streets for a day gives as much pollution poison as smoking two packs of cigarettes. I thought that was nonsense. So did Professor Lawther, the air pollution authority at Bart's Hospital."

The two medical men decided to test the claim.

Dr. Williams, who was converted some years ago to making his calls by bicycle, set off through the thick of the traffic to Bart's.

Smoking two packs of cigarettes can produce 14 per cent while a non-smoking taxi-driver, driving in city streets all day, might have 2.5 per cent and a commuting car driver 0.8 to 0.9 per cent.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—

Fairbairn Lawson, The Queens Hotel, City Square, Leeds, 12.30
Garton's, Prince of Wales, Lord St., Southport, 11.00
Grand Central Invs., 35-37, Chiswell St., EC, 12.00
Monument Secs., Winchester House, 77, London Wall, E.C., 3.30
Mowat (Wm.), Imperial Hotel, Russell Square, 10.00
Peak Investments, Sanley Hse., 57, High St., Edgware, Middlesex, 11.00
Sanger (J. E.), Connaught Rooms, Great Queen St., W.C., 12.00
United Tin Areas, 25-35, City Rd., E.C., 12.00
Williams Hudson, 8, Maltravers St., W.C., 10.00

DIVIDEND & INTEREST PAYMENTS—

SUNDAY, JANUARY 6

DIVIDEND & INTEREST PAYMENTS—

Charter Trust Agency Ln. 2¼pc
Courtaulds 2.888p. Do. Ln. 2¼pc
Eastern Produce 1.4p
Findhorn Finance Ln. 4¼pc
Freemans (London SW9) Deb.
Keyser Ullman Deb. 3¼pc
Linread Ld. Deb. 3½pc
Manor National Motors 10.5pcPf. 5.25pc
Morgan Crucible Deb. 4¼pc. Do. Lns. 2½, 3½pc
Pratt (F.) Engn. Ln. 4pc
Samuel Properties Deb. 3¼pc
Smith (W. H.) Son Deb. 4pc. Do. Lns. 2¾, 3¼pc

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange.

FUTURE DATES

Interims—

Ailsa Investment Trust	Jan. 9
Imry Property	Jan. 9
Paradise (B.)	Jan. 4

Finals—

English China Clays	Jan. 10
M. and G. Dual Trust	Jan. 9

FT Share Information

The following securities have been added to the Share Information Service appearing in the Financial Times:

Firth (G. M.) (Metals) (Section: Engineering).
Glasgow Pavilion (Leisure).
Hartogen Energy (Overseas—Australia).
Hill (Tom) Holdings (Leisure).
Link House Publication (Newspapers.)
Santos Limited (Oil and Gas).

INVESTMENT CORPORATION OF PAKISTAN

(Trustees State Enterprise Mutual Funds)

ICP (STATE ENTERPRISE) MUTUAL FUND SERIES 'A'

OFFER FOR SALE

2,00,00,000 extendable to 2,80,00,000 ICP (STATE ENTERPRISE) MUTUAL FUND SERIES 'A' CERTIFICATES of the par value of Rs. 10/- each payable at the par value thereof in cash in full on application.

Consent of Controller of Capital Issues has also been obtained to issue *an additional 20,00,000 certificates of the par value of Rs. 10/- each amounting to Rs. 2,00,00,000/- to be made available exclusively for allotment to resident* Pakistanis in case the entire Issue of Rs. 28,00,00,000 is subscribed in full by non-resident Pakistanis and existing mutual fund holders.

"Consent of the Federal *Government* has been obtained to the Issue of ICP (State Enterprise) Mutual Fund Series 'A' Certificates under the Capital Issues (Continuance of Control) Act 1947 by an order of which a complete copy is open to public inspection at the Head Office of the Corporation. It must be distinctly understood that in giving this consent the Federal Government does not take any responsibility for the correctness of the statements made *or opinion expressed with regard to them.*"

The Karachi Stock Exchange Limited and Lahore Stock Exchange Limited *have approved admission of the ICP (State Enterprise) Mutual Fund Series 'A' Certificates for dealing and for their quotations on both the Stock* Exchanges.

THE SUBSCRIPTION LIST FOR 2,00,00,000 extendable to 2,80,00,000 ICP (STATE ENTERPRISE) MUTUAL FUND SERIES 'A' CERTIFICATES WILL OPEN AT THE COMMENCEMENT OF BANKING HOURS ON MONDAY THE SEVENTH JANUARY 1980 AND AFTER REMAINING ON TAP FOR A PERIOD OF THIRTY-ONE DAYS WILL CLOSE AT THE CLOSE OF BANKING HOURS ON WEDNESDAY THE SIXTH FEBRUARY 1980

PART I

CONDITIONS OF OFFER AND BASIS OF ALLOTMENT

1. (a) *Applications* may be made by Pakistani Nationals residing in as well as outside Pakistan.
   (b) Applications *may be made for one hundred Certificates* and in multiples of one hundred certificates but not less than one hundred certificates. *Applications for less than* one hundred certificates will not be entertained.
2. The Certificates shall be allotted in the following Order of Preference:—
   (a) Applications of hundred certificates and more from non-resident Pakistanis accompanied by subscription in foreign currency will be accommodated fully.
   (b) *Any Fund capital left after* allotment to non-resident Pakistanis who make subscription in foreign currency will be *made available to existing ICP Mutual Fund* Certificates Holders in the proportion of 100 Certificates of ICP (State Enterprise) Mutual Fund Series 'A' *of the* nominal value of Rs 10/- each, against every nominal investment in the multiples of Rs 1000/- in any one or more of the First to Twelfth ICP Mutual Funds, subject to the provision that any Certificate holder who has an investment of less than Rs 1000/- shall be allotted certificates of the minimum nominal value of Rs 1000/- *(e.g. an investment of up to Rs 1000/- will qualify for* allotment of 100 certificates, investments from Rs 1100/- *to Rs 1900/- shall also be allotted only 100 certificates* but investment of Rs 2000/- shall be entitled for allot*ment of 200 certificates and so on).*
   (c) The balance shall be available to the resident Pakistani applicants in the following *manner*:—
      (i) If the capital to be issued to the general public is sufficient for the purpose, all applications shall be accommodated initially for a minimum allotment of shares of the face value of Rs 1000/-. If the capital applied for by such applicants is in excess of the capital offered to the general public, the distribution shall be made by balloting in the presence of a representative of the Karachi Stock Exchange Ltd.
      (ii) *Any capital left unsubscribed after allotment* as aforesaid, shall be allotted in marketable lots on a *pro-rata basis to applicants who apply for shares* exceeding the face value of Rs 1000/-.
3. OTHER CONDITIONS OF ALLOTMENT TO OVERSEAS PAKISTANIS
   (a) The capital invested in the Fund by overseas Pakistanis would not be repatriable. However, the Certificate held by a non-resident Pakistani can be freely sold to another non-resident Pakistani and all such transfers will be registered for effecting change in ownership.
   (b) The allottees shall have the option either to receive the dividend income in Pakistani currency or in a foreign currency *to be specified by him in the application form.*

PART II

THE ICP (STATE ENTERPRISE) MUTUAL FUND SERIES 'A'

1. The ICP (State Enterprise) Mutual Fund Series 'A' of *Rs 20,00,00,000/- divided into 2,00,00,000 Certificates of the par* value of Rs 10/- each, extendable up to Rs 28,00,00,000/- *divided into 2,80,00,000 Certificates of Rs 10/- each, has been* established by Investment Corporation of Pakistan under Clauses (8) and 14 (e) of Section 23 of the ICP Ordinance (No. IV of 1966) and Regulations 30-A and 30-B of the ICP (General) Regulations. All Certificates carry equal rights to receive the net profits accruing to the ICP (State Enterprise) Mutual Fund Series 'A' and all accretions to it by way of bonus shares and right shares acquired in respect of securities constituting the Fund. No Certificate has priority or preference over the other. Each holder of a Certificate shall be deemed to have an undivided and impartible beneficial ownership in *the assets of the ICP (State Enterprise) Mutual Fund Series* 'A' in proportion to the number of Certificates held by him *and registered in his name in the ICP (State Enterprise)* Mutual Fund Series 'A' Certificate Holders' Register. The Certificates shall be acquired, held and transferred subject to the provisions of the ICP Ordinance, 1966 and all Rules and Regulations from time to time framed under it and as may be amended.
2. The ICP (State Enterprise) Mutual Fund Series 'A' Certificates shall be quasi closed-end Securities. They will be listed on Stock Exchanges at Karachi and Lahore. A certificate of the ICP (State Enterprise) Mutual Fund Series 'A' *is* a movable property, freely transferable in Pakistan as well as outside Pakistan *in the usual common form, subject to restrictions* imposed herein, by an instrument in writing signed by the *transferor* and the *transferee.*
3. The Fund is being established with a view to provide opportunity to resident and non-resident Pakistanis to share the growth and profits of some of the highly profitable nationalised/taken-over companies. The portfolio of the fund consists of some of the good scrips of taken-over companies acquired from the Government at a much lower rate as compared to the market value of these shares. In designing the portfolio, extreme care has been taken to include only those companies whose past dividend *record is satisfactory* and which show potentials of good earnings in future. Due to *lower transfer prices paid by the Corporation in acquiring the* shares from the Government, an immediate gain is accruing to the Fund in the *form of* unrealised appreciation of 52% over the market price of the fund portfolio. However, since the intention of the government is to retain the control of the state enterprises and at the same time it wants the investing public to participate gainfully in the economic development of the country, the Corporation has given this undertaking to the government, that at any point of time, the controlling interest (51%) of the government *in these* enterprises will not be disturbed by the Corporation. However, the *Corporation will* have the *freedom to roll over* the portfolio which is in excess of the controlling interest mentioned above. *There is no restriction* on sale of shares to various financial institutions. On the basis of past performance and yield of the securities included in the fund, it is expected that the Certificate holders shall be receiving a reasonable return in the form of dividend. If in any one year the distributable income of the Fund is less than 15%, the Government shall reimburse ICP for any shortfall between the expenses and the dividend yield which inhibits the *Corporation* from giving a minimum dividend of 15% subject to a *maximum of 2% of the original size of the Fund. The manage*ment of the fund portfolio shall be handled in such a manner *that the investments of the Fund will not contain any element* of interest in its income. The following is the brief description *of the Securities included in the Fund:—*

STATE ENTERPRISE MUTUAL FUND
(Rs 280 million)

(Rupees in thousand)

Name of Company	Par Value	Paid-up Capital	No. of Shares	Break-up Value Per Share	Transfer Price Per Share	Market Price per Share as on 13-12-1979	Last Dividend	Valuation At transfer Price	Valuation At Market Price as on 13-12-1979	Appreciation of market price over transfer price (%)
Burma Oil	10	11,250	362,760	22/34	13/33	23/75	2/50	4,835	8,616	78.2
Wazir Ali	10	12,000	182,043	17/77	13/33	27/95	2/-	2,427	5,088	109.6
National Motors	10	30,755	251,207	26/35	16/67	32/40	2/25	4,186	8,139	94.3
Millat Tractors	10	2,700	38,054	35/93	13/33	45/-	2/-	507	1,712	237.7
National Refinery	10	209,916	3,654,550	10/71	10/32	13/20	1/50	37,715	48,240	27.9
Karachi Gas	10	28,125	589,676	17/55	10/-	16/75	1/75	5,897	9,877	67.5
Sui Northern Gas	10	383,000	1,825,660	11/87	10/-	11/10	1/25	18,257	20,265	11.0
Zeal Pak	10	39,600	1,292,300	23/77	13/33	19/05	2/-	17,226	24,618	42.9
Gharibwal	50	34,450	128,905	105/42	50/-	83/-	10/-	6,445	10,699	66.0
Metropolitan	10	14,729	287,807	23/46	16/67	22/25	2/50	4,796	6,404	33.5
Quality	10	12,733	228,990	31/56	13/33	14/50	-/75	3,052	3,320	8.8
KESC	10	501,879	17,465,306	21/96	10/-	15/95	2/-	174,653	278,572	59.5
					Total			280,000	425,550	

Built-in-capital appreciation 145,550 or 51.98%

4. The following tax and other benefits are available for investment in the ICP (State Enterprise) Mutual Fund Series 'A' Certificates:—
   (a) Investment in Certificates would *qualify for* tax exemptions under Section 41 of the new Income Tax *Ordinance*, 1979.
   (b) No holding period will be required to claim tax rebate *under the new Income Tax Ordinance, 1979.*
   (c) The SEMF Certificates have been declared approved *investment under Section 2(3A) of the said* Insurance Act.
   (d) Dividend income will be repatriable in foreign exchange *to non-resident Pakistani Certificate holders.* This facility will cease on his change of residence to Pakistan.
   (e) *The dividend income accruing to non-resident* Pakistanis will be exempt from deduction of standard rate of 30% *income tax.*
5. Subject to the provisions of the ICP Ordinance, Regulations 30-A and 30-B of the ICP (General) Regulations and any other law for the time being in force or any order of the Federal Government, the Fund is expected to continue without limitation of time. The Corporation, however, reserve the right, subject to the discretion of the Federal Government, to determine that the Fund should be discontinued in the best interest of the Certificate holders, in which case the Corporation shall first ensure that the liabilities of the Fund, if any, are paid or satisfied, and will then distribute at one time or from time to time the assets of the Fund to the Registered Certificate holders either in cash or in kind, or partly in cash and partly in kind, provided that all distributions as of any one date shall be made on the same basis.
6. In the event of winding up the Corporation, the assets belonging to the ICP (State Enterprise) Mutual Fund Series 'A' shall not be treated as the assets of the Corporation.

PART III

MANAGEMENT OF THE ICP (STATE ENTERPRISE) MUTUAL FUND SERIES 'A'

The Management of the ICP (State Enterprise) Mutual Fund Series 'A' shall vest in the Investment Corporation of Pakistan or in a subsidiary company or agency set-up by ICP as trustees of State Enterprise Mutual Funds.

(I) INVESTMENT CORPORATION OF PAKISTAN

(a) Investment Corporation of Pakistan was established on February 22, 1966 under the Investment Corporation of Pakistan Ordinance (No. IV of 1966) having its head office at Karachi. It is a body corporate having perpetual succession and a common seal with power, subject to the *provisions of the ordinance, to acquire, hold and dispose* of any property and could, by its name sue and be sued.
(b) *The objects for which the Corporation has been estab*lished are, inter alia, to encourage and broaden the base of Investments and develop the capital market in Pakistan and provide for all matters connected therewith.
(c) The authorised share capital of the Corporation is Rs 20,00,00,000 divided into 20,00,000 ordinary shares of Rs 100/- each and its paid-up capital at present is Rs 10,00,00,000.
(d) The general direction and superintendence of the affairs and business of the Corporation are vested in a Board of Directors presently constituted as follows:—

BOARD OF DIRECTORS

Sl No.	Name	*Address*
1.	**Mr. Akhtar Husain**	Chairman, ICP, 29-A, Sunset Boulevard, Defence Services Officers *Co-operative Society,* Karachi.
2.	**Mr. D. M. Qureshi**	Managing Director, ICP Karachi.
3.	**Mr. Ahad-Ullah Akmal**	Joint Secretary (Investment), Finance Division, NBP Building, Civic Centre, *Islamabad.*
4.	**Mr. Askari Taqvi**	Director General, Investment Promotion Bureau, *Kandawalla Building,* M. A. Jinnah Road, *Karachi.*
5.	**Shaikh Irshad Ahmed**	Managing Director, *National Engineering* Services (Pakistan) Limited, *WAPDA House,* Lahore.
6.	**Mr. I. A. Hanfi**	*Executive Director,* Banking Control *Department,* State Bank of Pakistan, I. I. Chundrigar Road, Karachi.
7.	**Mr. M. W. Farooqui**	*Managing Director, NIT,* NBP Building, I. I. Chundrigar Road, Karachi.
8.	**Mr. Abdul Jabbar Khan**	*President,* Habib Bank Limited, Habib Bank Plaza, I. I. Chundrigar Road, Karachi.
9.	**Mr. K. Ziauddin**	President, United Bank Limited, State Life Building, I. I. Chundrigar Road, Karachi.
10.	**Mr. Abdus Sami**	*President,* Muslim Commercial Bank Limited, Adamjee House, I. I. Chundrigar Road, Karachi.
11.	**Mr. Mehr A. Barlas**	Senior Executive Vice-President, NBP Building, I. I. Chundrigar Road, Karachi.
12.	**Mr. S. A. Walajahi**	Executive Director, State Life Insurance Corporation of Pakistan, State Life Building, Wallace Road, Karachi.

(II) MANAGEMENT OF FUND

(a) *The securities to be called the "Fund Security" con*stituting the ICP (State Enterprise) Mutual Fund Series 'A' shall be or continue to be registered in the name of Investment Corporation of Pakistan in the respective books of institutions issuing the securities.
(b) The Fund securities shall be retained and held by Investment Corporation of Pakistan for the benefit of the ICP (State Enterprise) Mutual Fund Series 'A' Certificate holders (to be called "Certificate Holders").
(c) *There shall be maintained* by ICP *a Register of Certificate* holders of the ICP *(State Enterprise)* Mutual Fund Series 'A'. *Only Certificate holders registered in the* said Register shall be deemed to be owners thereof.
(d) *The Investment Corporation of Pakistan will be entitled* to collect all dividends, bonus shares and other accretions *and income* in respect of the Fund Securities and deal with and act in respect of the Fund securities as holder of such securities without reference to the Certificate holders. The interest of the Certificate holders would, however, be looked after by the Corporation in its capacity as Trustees of the Fund.
(e) The Investment Corporation of Pakistan shall keep separate books of accounts relating to the income and expenditure of and connected with the ICP (State Enterprise) Mutual Fund Series 'A'. The said books of account shall be open to inspection only by the Directors of the Investment Corporation of Pakistan and the Investment Corporation of Pakistan shall not be accountable to anyone except to its Board of Directors in respect of the income, and expenditure relating to the ICP (State Enterprise) *Mutual Fund Series 'A'.*
(f) The accounting records of the ICP (State Enterprise) Mutual Fund Series 'A' *will be kept on the basis of* fiscal year ending on the last day of June each calendar year. *The first accounting year of the SEMF will end on* 30-6-1981. The Fund may declare interim dividends before the *close of the accounting year.*
(g) At least once in every year the accounting records of the *ICP (State Enterprise) Mutual Fund Series 'A'* will be audited by such Auditors as may be appointed by the Board of Directors of the Investment Corporation of Pakistan. The fees of the auditors will be charged against and payable out of the income of the said Fund. As promptly as may be after each audit, the Corporation shall transmit to all registered certificate holders a suitable report, based on such audit, containing such financial statements and other information as may be determined by the Board.
(h) The net income and net capital gains realised in respect of the ICP (State Enterprise) *Mutual Fund Series 'A'* will be distributed at least once in every year to the registered certificate holders in proportion to the number of certificates held by them.
(i) From time to time when it appears expedient and in the interest of the certificate-holders (as determined by the *Corporation in its sole discretion*) to substitute any of the Fund securities by other securities, the Corporation shall *be competent to do so, in which case the newly added* securities will form part of the ICP (State Enterprise) Mutual Fund Series 'A' portfolio.
(j) The Corporation will maintain continuous investment supervision, not inconsistent with the investment objective, will determine what securities are to be purchased or sold for the Fund in case of need, and will finalise transactions for the Fund accordingly. Capital expenses arising in connection with *the organisation and sale* of the *Fund*, including registration and qualification expenses under the law, the rules of Stock Exchanges *and other applicable regulatory requirements (including* the cost of printing, publication and distribution of this Offer For Sale) will be reimbursed to the Investment Corporation of Pakistan by the Fund, out of income, over five years or earlier, following its establishment. The cost of independent professional services and administrative and establishment expenses (other than in connection with the organisation of the Fund) will be treated as current expenses of the Fund. The Investment Corporation of Pakistan will furnish office space, custodial, and managerial services to the Fund and charge a *management fee at the rate of ½% per annum of the* fund capital of the ICP (State Enterprise) Mutual Fund Series 'A'.
(k) The Investment Corporation of Pakistan shall be competent to do all other acts which, in its opinion, may be necessary to promote the interests of the Certificate holders based on the investment climate in Pakistan and the condition of the capital market and as may be warranted by commercial considerations.
(l) The term "Investment Corporation of Pakistan" and the "Corporation" shall include any subsidiary company or *agency set up by ICP for managing and issuing ICP* (State Enterprise) Mutual Fund Series 'A' and holding *Fund share-holdings.*
(m) As provided in the Investment Corporation of Pakistan (Amendment) Ordinance, 1971, the Corporation shall be and act as trustees in respect of ICP (State Enterprise) Mutual Fund Series 'A' and issue and manage the Funds accordingly.

PART IV

APPLICATION FOR SUBSCRIPTION

(I) INSTRUCTIONS

1. Name and address must be written in full, in block letters, *in English and should not be abbreviated.*
2. Application must be made on the Corporation's printed form, a specimen of which is set out at the end.
3. Application must not be for less than one hundred certificates, that is, of the nominal value of Rs 1000 and must be in multiples of 100 certificates.
4. Copies of the Offer for Sale and application forms can be obtained from the members of the Karachi Stock Exchange Limited, the Lahore Stock Exchange Limited, the Bankers to *the Issue and their Branches within and outside Pakistan,* the offices of the Investment Corporation of Pakistan at *Karachi, Lahore, Rawalpindi, Peshawar, Quetta, Faisalabad,* Multan and Hyderabad and Pakistan Investment Information Centre, London.
5. Remittance for the full amount of certificates must accompany each application and must be forwarded to any one of the Bankers to the Issue or other authorised banks and agents in this behalf. Remittance should be in the form of cheque or draft drawn payable to one of the *Bankers to the Issue* account ICP (State Enterprise) Mutual Fund Series 'A' and crossed *"A/c Payee only"* and *must be drawn on a bank in* the same town as the bank to which the application form has *been sent. Non-resident Pakistanis residing abroad* are allowed to deposit the subscription money in cash in any branch of the Bankers to the Issue. Foreign nationals residing in Pakistan may make an application in accordance with the Pakistan Exchange Control Regulations.
6. Applications shall not be made by or on behalf of minors, persons of unsound mind or firms or trusts. Applications made by companies and bodies corporate *must be accompanied* by a copy of their Memorandum and Articles of Association *or equivalent instrument. Where applications are made by* virtue of power of attorney, the power of attorney must be lodged with the application.
7. Joint Applications by more than four persons will not be accepted. In the case of joint application each person must sign the application form. The allotment letter will be despatched to the person whose name appears first on the application form through the bank where the application is tendered or by post and where any amount is refundable, in whole or in part, *the same will be refunded by cheque and* by post to the person named first on the application form *without interest or through* the bank where the application is tendered.
8. Bankers are not allowed to make applications for ICP (State Enterprise) Mutual Fund Series 'A' Certificates of the value of Rs 1000/- on account of their constituents except in the case of Pakistanis residing abroad. Such applications will be made by the subscriber himself, complete in all respects and shall be certified by the Bank Manager as provided in the application form. Allotment letters in respect of such applications shall be issued in the name of the applicant and sent to the postal address stated by the applicant or to the bank through which the application is tendered. These shall not be issued in the name of the bankers.
9. Applications for ICP (State Enterprise) Mutual Fund Series 'A' Certificates above the value of Rs 1000/- may be made by bank on *behalf of their constituents but must contain all the* information in respect of each constituent on the application form. *All such applications made by banks must also be* certified by the Bank Manager concerned as provided in the *application form. Allotment letters in respect of such applica*tions will be made in the name of banks on account of the *constituents and the relevant allotment letters, certificates* and advices for refund will be sent to the bank concerned.
10. *No receipt will be issued for payment made with the applica*tion but an acknowledgement will be forwarded in due course *either by letter of allotment* in whole or in part or by refund of the money paid with the application except in case of *non-resident Pakistani investors who may ask for a receipt from* the bank against cash payment. The Bankers to the Issue will *issue provisional acknowledgement* for applications lodged with them.
11. It would be permissible for a bank to refund subscription money to unsuccessful applicants having account in that bank by crediting such account instead of remitting the same by cheque, pay order or bank draft. Applicants should not, therefore, fail to give their bank account numbers.
12. Allotment shall be made in accordance with the procedure laid down in part I of this Offer for Sale or as directed by the Controller of Capital Issues.
13. Applications which do not meet with the above requirements or applications which are incomplete shall be liable to be rejected.
14. In case of applications made by a banker or a recognised Stock Exchange Broker, the banker or the broker shall *obtain the certificate(s) from the applicant(s) in terms of* paragraph 3 of the application form and forward the same in *original to ICP with the application.*
15. Making of any false statement in the application or wilfully *supplying of incorrect information therein will make the* applicant or the bank liable to legal action
16. *The Corporation will pay a brokerage at the rate of 1% to* the members of the Karachi Stock Exchange Limited and Lahore Stock Exchange Limited or other authorised agents on the applications which have received allotment of certificates of ICP (State Enterprise) Mutual Fund Series 'A'.
17. The bankers to the issue shall be paid a Commission of 1/10th of one per cent on the successful applications eligible for allotment of certificates of SEMF, on actual allotments in connection with this issue
18. *Scrutiny will be restricted* to successful applications *only.* Failure to adhere to above requirements may result in post *ballot rejection of successful applications.*
19. The successful applicants will collect their letters of allotment from the branch of the Bank through which their applications were tendered. A press announcement to this effect will be made by the Corporation.

(III) BANKERS TO THE ISSUE IN PAKISTAN

1. National Bank of Pakistan
2. Habib Bank Limited
3. United Bank Limited
4. Muslim Commercial Bank Limited
5. Allied Bank of Pakistan Limited
6. *Grindlays Bank Limited*
7. Citibank N.A.
8. *Bank of America N.T. & S.A.*
9. American Express International Banking Corporation

(IV) BANKERS TO THE ISSUE OUTSIDE PAKISTAN

1. National Bank of Pakistan
2. *Habib Bank Limited*
3. United Bank Limited
4. Allied Bank of Pakistan Limited
5. Muslim Commercial Bank Limited
6. Bank Al-Jazira, Saudi Arabia
7. Middle East Bank, Dubai.

Investment Corporation of Pakistan

ICP (STATE ENTERPRISE) MUTUAL FUND SERIES 'A'

APPLICATION FORM

(FOR OVERSEAS PAKISTANIS)

(To be filled in duplicate)

FOR ICP'S USE ONLY

FOR BROKER

BROKER'S STAMP
BROKER'S CODE

FOR BANKERS TO THE ISSUE

BANK STAMP	
BANK CODE	BRANCH CODE
BANK SERIAL NO.	
No. of certificates applied for.	

OPTION TO RECEIVE DIVIDEND IN PAK / FOREIGN CURRENCY.	
PAK Currency	Tick one
Foreign Currency	Name the currency below.

The Directors,
Investment Corporation of Pakistan,
National Bank of Pakistan Building,
I.I. Chundrigar Road,
Karachi-2, PAKISTAN.

Gentlemen,

1. I/We *enclose the sum of Rs* .... being the amount payable on applica*tion for* .... ICP (State Enterprise) Mutual Fund Series "A" Certificates of Rs. 10/- each.
2. I/We apply for and request you to allot me/us the above number of certificates and I/We agree to accept the same or any smaller number that may be allotted to me/us upon the terms of the Corporation's Offer for Sale and subject to the ICP Ordinance (IV of 1966) and *Regulations* 30A and 30B of the ICP (General) Regula*tions and other* Regulations from time to time framed under it or any order of the Federal Government and I/We authorise you to place my/our name(s) on the Register of Certificate Holders of the ICP (State Enterprise) Mutual Fund Series 'A' *as the holder(s)* of certificates allotted to me/us *pursuant to this application* and to send Allotment Letter in respect *thereof* and/or a Cheque in respect of any application money returnable by post at my/our risk to the first address written below or to the bank through whom I/We tender this application.
3. I/WE DECLARE THAT
   (i) I AM/WE ARE NATIONAL (S) OF PAKISTAN RESIDING FOR THE TIME BEING OUTSIDE PAKISTAN.
   (ii) I AM/WE ARE NOT MINOR(S)
   (iii) I/WE AGREE TO ABIDE BY THE INSTRUCTIONS PRINTED OVERLEAF AND IN CASE OF ANY INFORMATION GIVEN HEREIN BEING INCORRECT I/WE UNDERSTAND THAT I/WE SHALL NOT BE ENTITLED TO THE ALLOTMENT OF CERTIFICATES
   (iv) INVESTMENT IS MADE ON THE BASIS OF NON-REPATRIATION OF CAPITAL.

Yours faithfully,

Signature(s) 1 ———— 2 ———— 3 ———— 4 ————

4. (a) Name in Full ....
Father's/Husband's Name ....
Occupation ....
Banker's Name, Address & Account No. ....
Address Abroad ....
Address in Pakistan ....

FOR JOINT HOLDERS

4. (b) Name in Full ....
Father's/Husband's Name ....
Occupation ....
Banker's Name, Address & Account No. ....
Address Abroad ....
Address in Pakistan ....

4. (c) Name in Full ....
Father's/Husband's Name ....
Occupation ....
Banker's Name, Address & Account No. ....
Address Abroad ....
Address in Pakistan ....

4. (d) Name in Full ....
Father's/Husband's Name ....
Occupation ....
Banker's Name, Address & Account No ....
Address Abroad ....
Address in Pakistan ....

(TO BE FILLED IN BY THE APPLICANT'S BANK)

I .... Manager .... certify that to the best of my knowledge and belief the declaration of or on behalf of the applicant contained in sub paragraph (iii) of paragraph 3 above is correct

Manager's Signature ....

SPECIMEN SIGNATURE OF APPLICANT(S) OR OF THE BANKER OR BROKER ON BEHALF OF THE APPLICANT(S).

Name in Block Letters	Specimen Signature
1. Mr./Miss/Mrs.	1. ....
2. Mr./Miss/Mrs.	2. ....
3. Mr./Miss/Mrs.	3. ....
4. Mr./Miss/Mrs.	4. ....

Banker's *provisional acknowledgement for Application for certifi*cates of ICP (State Enterprise) Mutual Fund Series 'A'. *Received from* .... Application for .... Certificates of Rs. 10/- each.

Name of Bank	Branch No.	Serial No.

Signature and rubber stamp of receiving bank.

Companies and Markets

WORLD STOCK MARKETS

NEW YORK

1979 High	1979 Low	Stock	Dec. 28	1979 High	1979 Low	Stock	Dec. 28
25¼	20⅝	Citicorp	23½	30¼	23¼	Georgia Pac	26⅝
69	55⅛	Cities Service	64⅛	50⅞	27¾	Geosource	50⅞
21⅝	14	City Investg	16	30⅜	23⅜	Gerber Prod	23¾
45	35	Clark Equipment	35	80	55½	Getty Oil	73¾
37	17⅛	Cleve Cliffs Iron	32⅛	28⅝	14⅜	Giddings Lewis	26⅝
13	9⅛	Clorox	10¼	28	23⅝	Gillette	25¼
12¼	8⅝	Cluett Peaby	9⅞	41¾	14⅝	Global Marine	41½
45	31¾	Coca Cola	34⅛	23⅞	17⅝	Goodrich (BF)	18⅞
7⅛	5½	Coca Btl. NY	5¾	18½	12	Goodyear Tire	12⅞
19	13⅞	Colgate Palm	14½	29¾	23¼	Gould	23¼
10⅝	7⅛	Collins Aikman	7⅞	40½	25⅝	Grace	40
51⅛	34	Colt Inds	45⅝	39	31¼	Grainger (WW)	37¼

1979 High	1979 Low	Stock	Dec. 28	1979 High	1979 Low	Stock	Dec. 28
35¾	23⅝	McGraw-Hill	26½	38	25¾	Safeco	36¾
16⅜	10⅜	McLean Truckg	13¾	46	33¾	Safeway Stores	34½
29¼	23	Mead	24⅝	37	21¾	St. Joe Minls	35⅝
27¾	20¼	Media Genl	25¾	59⅞	34⅜	St. Louis-San F	55¼
31⅞	26⅛	Mellon Natl	27¾	41⅝	27½	St. Paul Cos	40⅞
51⅜	26	Melville	27⅛	38¼	25⅛	St. Regis Paper	30⅝
38⅛	17¼	Memorex	17¾	55	29⅛	Santa Fe Inds	52⅜
40¾	33¼	Mercantile Strs	38¼	57⅝	19	Santa Fe Intl	54⅝
73⅞	63⅛	Merck	73⅛	9	5½	Saul Invest	7⅜
36¼	27½	Meredith	35¼	9⅝	4⅜	Saxon Inds	8⅝
21¾	16⅜	Merrill Lynch	19¼	38	26¼	Schering Plo	30⅛

Indices

NEW YORK—DOW JONES

	Dec. 28	Dec. 27	Dec. 26	Dec. 24	Dec. 21	Dec. 20	1979 High	1979 Low	Since Compil'tn High	Since Compil'tn Low
♦Industr'ls	838.91	840.10	838.14	839.16	838.91	848.34	897.61 (5/10)	796.67 (7/11)	1051.70 (11/73)	41.22 (2/7/32)
H'me B'nds	75.36	75.66	75.78	74.44	74.81	75.16	86.10 (15/8)	75.78 (26/12)	—	—
Transport	265.26	262.87	262.87	256.94	254.55	256.04	271.77 (15/8)	205.75 (27/2)	279.88 (7/2/69)	12.23 (8/7/32)
Utilities	107.04	107.61	107.66	107.61	107.34	106.56	109.74 (17/12)	98.24 (24/10)	163.32 (20/4/69)	10.52 (28/4/42)
TradingVol 000's†	34,510	31,540	23,040	18,180	36,280	40,450	—	—	—	—

♦Day's high 843.43 low 834.64

Ind. div. yield %	Dec. 21	Dec. 14	Dec. 7	Year ago (approx)
	6.03	6.00	6.07	6.00

STANDARD AND POORS

	Dec. 28	Dec. 27	Dec. 26	Dec. 24	Dec. 21	Dec. 20	1979 High	1979 Low	Since Cmpil't'n High	Since Cmpil't'n Low
‡Indust'ls	120.88	121.04	120.83	120.70	120.59	121.39	124.49 (15/10)	107.08 (27/2)	154.64 (11/1/73)	3.52 (30/6/32)
§Composite	107.84	107.96	107.78	107.66	107.59	108.28	111.27 (5/10)	96.13 (27/2)	125.85 (11/1/73)	4.40 (1/6/32)

	Dec. 26	Dec. 19	Dec. 12	Year ago (approx)
Ind. div. yield %	5.27	5.24	5.25	[illegible]
Ind. P/E Ratio	7.67	7.70	7.65	8.55
Lon. Gov. Bond Yield	10.17	10.09	10.21	8.95

N.Y.S.E. ALL COMMON

Dec. 28	Dec. 21	Dec. 26	Dec. 24	1979 High	1979 Low
61.86	61.73	61.82	71.74	62.88 (21/9)	53.88 (27/2)

Rises and Falls

	Dec. 28	Dec. 27	Dec. 26
Issues Traded	1,969	1,978	1,919
Rises	733	700	732
Falls	758	811	709
Unchanged	478	467	478
New Highs	—	52	44
New Lows	—	54	45

MONTREAL

	Dec. 28	Dec. 27	Dec. 26	Dec. 24	1979 High	1979 Low
Industrial	329.69	330.60	(c)	328.90	332.12 (5/10)	219.19 (2/1)
Combined	311.55	311.89	(c)	310.48	314.55 (5/10)	[illegible] (2/1)
TORONTO Composite	1804.3	1799.6	(c)	1787.3	1804.71 (5/10)	1315.8 (2/1)

	Dec. 28	Dec. 27	Dec. 26	Dec. 24	1979 High	1979 Low
AUSTRALIA Sydney All Ord. (1/1/80)	740.00	727.62	(c)	722.24	740.00 (28/12)	545.72 (2/1)
Metals & Minls (1/1/80)	4555.30	4505.59	(c)	4534.15	4555.30 (29/12)	2567.34 (2/1)
AUSTRIA Credit Aktien (2/1/62)	69.60	69.10	(c)	(c)	69.60 (28/12)	61.55 (2/5)
BELGIUM Belgian SE (31/12/63)	102.82	102.27	(c)	102.77	108.47 (5/10)	98.80 (3/1)
DENMARK Copenhagen SE (1/1/73)	97.37	97.01	(c)	(c)	97.48 (25/7)	86.49 (14/12)
FRANCE CAC General (28/12/61)	102.70	105.8	104.2	(c)	115.1 (5/10)	82.4 (16/2)
Ind Tendance (29/12/78)	100.10	109.2	110.3	(c)	122.6 (4/10)	92.7 (22/2)
GERMANY FAZ-Aktien (31/12/58)	227.27	225.7	(c)	(c)	265.60 (16/1)	223.73 (7/11)
Commerzbank(Dec.1953)	716.70	715.6	(c)	(c)	838.60 (16/1)	704.50 (7/11)
HOLLAND ANP-CBS General (1970)	[illegible]	84.2	(c)	(c)	94.2 (24/1)	82.9 (13/12)
ANP-CBS Indust. (1970)	66.40	67.1	(c)	(c)	85.9 (24/1)	65.7 (15/12)
HONG KONG Hang Seng Bank(31/7/64)	862.10	853.82	(c)	840.29	862.10 (28/12)	493.63 (2/1)
ITALY Banca Comm. Ital (1972)	81.88	81.93	(c)	(c)	95.85 (4/10)	68.38 (2/1)
JAPAN Dow Average (16/5/49)	6569.73	6528.83	6551.25	6522.87	[illegible]	5825.87 (10/4)
Tokyo New SE (4/1/68)	459.61	458.74	458.51	455.71	465.24 (28/9)	435.15 (13/7)
NORWAY Oslo SE (1/1/72)	134.55	137.45	(c)	(c)	142.22 (15/12)	74.48 (16/1)
SINGAPORE Straits Times (1966)	434.12	431.01	430.88	431.54	434.12 (28/12)	346.34 (26/2)
SOUTH AFRICA Gold (1958)	530.6	529.0	(c)	(c)	538.9 (28/12)	228.40 (17/4)
Industrial (1958)	451.2	446.2	(c)	(c)	451.2 (28/12)	270.50 (2/1)
SPAIN Madrid SE (29/12/78)	85.58	82.66	81.91	(c)	111.86 (8/5)	80.80 (20/12)
SWEDEN Jacobson & P. (1/1/58)	351.83	350.77	(c)	(c)	401.54 (5/2)	331.37 (24/8)
SWITZERLAND Swiss Bank Cp. (31/12/58)	302.70	301.6	(c)	(c)	329.10 (2/5)	294.00 (3/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poors—10; and Toronto—1,000 the last named based on 1975. † Excluding bonds. ‡ 400 Industrials § 400 Industrials plus 40 Utilities. 40 Financials and 20 Transports c Closed. u Unavailable.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Williams Co.	489,100	31⅞	+1	IBM	276,700	64⅛	−⅛
Genl. Pub. Util.	425,100	8¾	+½	Dianono Shank	276,400	30⅞	+2⅛
U.S. Steel	379,400	17⅝	−⅛	Chrysler	273,200	6⅝	−½
Amerada Hess	333,800	49½	+2⅞	Central & SW	249,100	14⅛	+⅛
Sears Roebuck	303,900	18	−⅛	Mobil	248,000	55¾	−⅛

BRAZIL

1979 High	1979 Low		Price Cruz
1.62	0.78	Acesita	1.09
2.93	1.25	Banco Brasil	2.55
1.69	1.24	Banco Itau	1.48
2.80	0.85	Belgo. Min.	1.85
3.40	1.85	Lojas Amer.	2.40
2.36	1.21	Petrobras PP	1.53
1.89	1.04	Pirelli	1.34
3.65	1.67	Souza Crus	3.10
6.40	3.70	Unip PE	5.00
3.48	1.03	Vale Rio Doce	2.65

Turnover: 348.3m. Volume: 192.8m.
Source: Rio de Janeiro SE.

BR continue steam trips

BRITISH RAIL'S own midweek steam services will again be running in June, July and August, based on the scenic Cumbrian coast route between Carnforth (Lancs) and Sellafield.

For the enthusiast the Steam Locomotive Operators' Association has arranged weekend excursions in the first five months of the year. These include Hellifield-Blackburn-Manchester Victoria line, specially opened to steam for 1980.

Shelter fear on mortgage rate

THE RECORD 15 per cent mortgage rate will impose real financial hardship on thousands of homebuyers, according to Mr Neil McIntosh, director of Shelter.

"A growing number of homebuyers will find themselves in severe trouble. About 2,500 families became homeless in 1978 because of mortgage arrears, and we fear that the number will rise," he said.

INTERNATIONAL CAPITAL MARKETS: A REVIEW OF 1979

BY OUR EUROMARKETS STAFF

SYNDICATED LOANS

Stretched banks face new test

SADDLED WITH an accumulated $640bn of outstanding international loans in the six years since the 1973-74 oil price explosion, the industrial nations' commercial banks enter the *1980s* beset by *uncertainty* on almost every side.

At present, the banks *provide* almost two-thirds of the net external financing requirements of the poor nations compared with a figure of under a third in the early 1970s. For 1980, the less developed nations' combined *current account deficit* is estimated by Morgan Guaranty Trust Company at $60bn, of which $42bn will have to be financed from external sources. Commercial banks will probably provide $25bn of this latter figure, according to Morgan Guaranty estimates. The comparable figure for 1974 was just over *$13bn*.

Bank for International Settlements data shows that bank claims on the LDCs probably reached $150bn at end-1979, and the figure could easily top $183bn by end-1980.

The existing exposure to the Third World of the Western banks means that they are now not so well equipped to deal with a further protracted period of recycling.

The question of the banks' own capital adequacy is beginning to surface again. By and large, many banks have found that the growth of the capital has not kept in line with asset growth because of the competitive pressure on bank loan margins, especially in international business in recent years

Another inhibition on the banks' ability to finance OPEC-*related payments* deficits is the concentration of risk to specific areas. A growing number of banks are known to have lending limit problems as regards certain of he heaviest borrowers of recent years — including Brazil, Mexico, the Philippines and Korea.

With this background, commercial banks are openly urging the necessity of supplemental sources of financing—such as increasing lending by the International Monetary Fund—in order to ease their own recycling burden.

Already it is clear that the recycling process will have to be shouldered mainly by U.S., Canadian and European banks, after the official order from Tokyo sharply curtailing the lending activities of Japanese banks.

Apart from these slowly developing strains in the international banking system, the Euromarkets descended into a state of deep confusion in the closing months of 1979 — a situation not calculated to aid the orderly floating of syndicated loans.

The major single worry was the U.S. freeze in November on *Iranian assets*. *At a technical* level, the basic techniques for assembling syndicated loans are now being questioned, after the calling into default of Iranian Euroloans.

For the long-term, the freeze could prove to have ushered in a damaging "politicisation" of *the Eurocurrency system* which has been rooted in the fundamental *belief that it has been* free from political interference and sequestration.

European bankers are worried that the U.S. may have set a precedent for similar action by others in the future, jeopardising the *Euromarket's basic integrity*. For instance, the Soviet bloc has borrowed freely from the market in recent years, without "strings attached," and has *long employed Eurodollars and* other Eurocurrencies for various financing purposes.

Euromarket borrowing obviously represents strategic vulnerability for many nations. For example, Mexico is using Euro-*currency loans to develop its oil*. Political interference could theoretically be exerted to influence Mexico in its oil export policies, in return for these funds, bankers suggest.

Meanwhile, record U.S. interest rates, ushered in by the Volcker package last October, are posing problems on the funding side of the Euromarkets. Smaller banks, in particular, complain that rapid shifts in interbank rates make it difficult to arrange their funding within the spread agreed on loans.

The banks' answer to such an array of looming difficulties is to stress the need for higher returns on loans. Between the *first quarter of 1978 and third* quarter of 1979, the average spread on medium-term Eurocredits fell from 1.08 per cent to 0.74 per cent according to data from the Organisation of Economic Co-operation and *Development*.

By mid-1979, it was not unusual to find some advanced developing nations obtaining spreads as low as 0.5 per cent over interbank rates — a level hitherto only available to prime industrial country credits.

There have still been no major signs of a widening in spreads, although in some cases there has been shortening in *maturities and concessions to* the banks in the form of higher front-end fees.

But bankers are insistent that their returns must now *reflect differences in credit* quality to a greater extent than hitherto. The key influence will come from U.S. banks, which have displayed the *strongest opposition to the* decline in loan margins.

The accompanying table shows how U.S. banks have declined in importance as loan *managers during 1979*, being supplanted in particular by the Japanese institutions. Now Japan has virtually ordered its banks out of the loans market, so the American banks may be poised to regain their dominating role in the market—*but* on their terms.

TOP MANAGING BANKS IN SYNDICATED EUROLOANS IN 1979

(lead managements and co-managements combined)

Group	Volume of Loans US$	No. of Deals
1. Lloyds Bank	23.1	106
2. Bank of Tokyo	21.4	95
3. Credit Lyonnais	21.2	116
4. CIBC	20.5	81
5. Citicorp	20.0	97
6. Bank of Montreal	19.0	102
7. Chase Manhattan	17.6	109
8. Mitsubishi Bank	17.4	77
9. Midland Bank	17.4	111
10. Sumitomo Bank	17.0	100
11. WestLB	16.5	68
12. Fuji Bank	16.3	66
13. NatWest	16.0	87
14. Toronto-Dominion	15.9	72
15. Amro	14.3	52
16. RBC	13.7	72
17. ABN	13.4	37
18. Indstl. Bk. of Japan	12.9	57
19. Barclays Bank	12.2	60
20. BNP	12.1	44

Source: Capioan International Finance Data Inc

INTERNATIONAL BONDS

A hard-earned record

A TOTAL of $18.77bn of new international bond issues excluding Yankee was floated last year, thus establishing a *new record: this figure, though* only $1bn higher than that for 1977 marks a more than 30 per cent increase on the figure for 1978.

The share of dollar-denominated bonds rose from 50 to 66.8 per cent of *all new issues* while the share of Deutsche mark bonds fell from 37 to just under 20 per cent, according to the preliminary figures released by Morgan Guaranty Trust. Such figures are paradoxical, *considering that the trials and* tribulations of the dollar made headlines every other day and that the year ended with the price of gold breaking the $500 an ounce barrier.

The paradox is explained by a number of factors. First of all, the record volume of new dollar issues hides the fact that about 40 per cent of new bonds were Floating Rate Notes and not straight dollar bonds. Such paper is only bought by a certain category of investor. Those who, in more settled times, buy straight dollar bonds, *by and large, went on strike* during the summer of 1979, never to reappear as serious buyers.

Another important factor is *the unprecedented volume of* dollar paper which remains in inventory and has still to be sold, despite the fall in prices which followed the Volcker credit crunch *in October. It is* impossible to estimate the volume of unsold bonds but all observers agree it is large and is hurting many banks participating in this market.

The volume of new dollar issues was also bolstered by reflows of principal and interest on dollar bonds. These are now *running* at around $1bn a month. Much of this money however has been put on deposit since last September, and not invested in new bonds.

Many bond houses have drastically cut the number of issues in which they make a market and, in October, some reputations took a severe blow while others came through intact—among the heavyweights, Bank of America, BNP, Deutsche Bank, Goldman Sachs, Merrill Lynch, and Salomons, and CSFB for Floating Rate Notes.

When the "windows" for new dollar issues closed, usually at very short notice, hard currency bonds attracted additional support: $8.7bn worth of Deutsche-mark bonds were arranged and $9.5bn worth of *Swiss franc issues were floated*, a figure nearly 75 per cent above 1978's level.

The volume of new bonds floated in D-Marks and Swiss francs was also governed by other factors. The increase in *coupons on such issues at times* cooled the appetite of borrowers who were reluctant both to borrow in a hard currency and pay a higher coupon than they *had anticipated. In Germany the* Bundesbank at times acted as a moderating influence on the new issue calendar of foreign Deutsche-Mark bonds which the *Capital Market Sub-Committee* agrees to every month.

Investors on the other hand were reluctant to purchase such bonds when the difference in the yield offered grew too large *if compared* with what they could obtain on dollar or sterling-denominated bonds.

Japanese yen bonds were less popular with investors than in *1978 because of very poor sentiment in* the domestic bond market and because the currency fell sharply against all others. The volume of new *issues was more than halved to* $1.7bn.

Despite the weakness of the dollar, there was no increase in the share of Unit of Account *bonds in 1979* but the eagerness with which the first ever Norwegian Krone bond was snapped up in December underlined investors' one major thought — currency diversification.

State entities, particularly in Europe, which borrowed less last year, are expected to step up their activities as they will need to finance growing deficits. It may also be that less developed countries, facing difficulties as they try to arrange loans, will want to get greater access to the bond market.

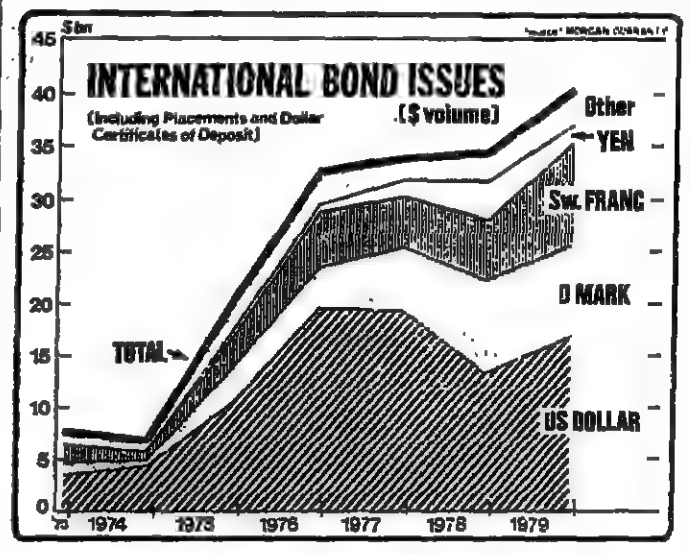
LEADING EUROBOND MANAGERS IN 1979

(excluding placements and Yankee bonds)

Lead and co-lead managers, giving full credit to each

Bank	Amount $bn	No. of issues
1. Credit Suisse *First Boston*	2.75	33
2. Deutsche Bank	2.10	34
3. S. G. Warburg	0.99	14
4. Morgan Stanley Intnl.	0.86	14
5. Westdeutsche Landesbank	0.80	13
6. Dresdner Bank	0.77	10
7. Societe Generale	0.75	14
8. Banque Nationale *de Paris*	0.65	12
9. Citicorp Intnl. Bank	0.62	3
10. Credit Lyonnais	0.60	11
11. Credit Commercial de France	0.57	10
12. European Banking Co.	0.53	7
13. *Nomura Europe*	0.50	11
14. Manufacturers Hanover	0.49	11
15. Union Bank of Switzerland	0.46	6
16. Orion Bank	0.45	9
17. Kidder Peabody Intnl.	0.41	13
18. *Goldman Sachs* Intnl.	0.40	4
19. Commerzbank	0.34	6
20. Wood Grundy	0.33	5

All international bond data from Inter-Bond Services (a subsidiary of DataStream International).



Floating rate notes adapt to troubled times

THE FLOATING Rate Note was the star instrument of international bond markets in *1979* but it revealed its drawbacks *in the* aftermath to the "Volcker package." The volatility of interest rates then proved too great even for this theoretically stable security and it is an irony that the prices of FRN's may have suffered precisely because of their reputation for liquidity.

The volume of new issues was a new record of $4.32bn and the FRN further increased its share of the dollar bond market to about 40 per cent of the total volume of issues (excluding *yankees*). Banks remained the major borrowers, as they have been since the post-Herstatt tremors in 1974, but 1979 was notable for the number of non-bank issues, chiefly from sovereign states seeking an *alternative to the syndicated* loan market.

The year also brought a widening of the circle of investors willing to buy FRNs. Until now bank-dominated, this broadened to include companies, insurance *companies*, central banks and funds dedicated traditionally to straight bonds. They were lured in by the promise of "cash equivalence," and by the wide *prevalence of short*-term interest rates higher than their long-term counterparts.

Until the Volcker package the FRN market in 1979 was a borrowers' market. Maturities stretched out from 8-15 years, and terms were squeezed ever tighter with Bank of Tokyo's ¼ per cent over three month Libor for ten years a good example of what had become possible before the market *deteriorated*.

Terms were refined as well as squeezed. Credit Suisse First Boston introduced the three-month FRN and, later, monthly *interest rate changes, to increase* the stability of the FRN's value amid volatile interest rates.

Then there was the emergence and development of convertible and drop-lock bonds which change from "floater" to straight given a certain constellation of interest rates. This feature was stacked increasingly in favour of the investor as market conditions deteriorated.

The post-Volcker turbulence proved that even the FRN had its limitations. The sharp rise in U.S. rates produced falls in prices of up to 3 points, despite *the prospect of a fresh "fixing"* in a few months time. These falls in capital value were probably accentuated by the tendency of those wishing to flee the dollar or wishing to invest really short to sell FRNs, where a small capital loss was expected, rather than sell straights and face up to a large one.

So as the new year starts FRNs are under something of a *cloud*. Maturities have been trimmed back to below ten years. Terms are tightening up —in line with the sentiment in the loan market. And there is *a distinct feeling that new issues* have recently been in rather too abundant supply for the appetite of investors.

Total issue volume—$4.22bn.

Top three Lead Managers:

1. CSFB ($1,885m)
2. Citicorp ($620m)
3. Manufacturers Hanover ($465m)

U.S. INTEREST RATES

No let-up from Cassandras

LAST YEAR opened with Wall Street's Cassandras — men like Dr. Henry Kaufman of Salomon Brothers and Dr. Albert Wojnilower of First Boston — predicting, as they had consistently through 1978, that America's inflationary economic expansion would have to end with a credit squeeze involving record interest rates.

Few believed those pessimistic *forecasts then — had not the* Federal Reserve in October 1978 come to the dollar's rescue and was not the economy slowing down? their critics asked—and *few believe them today. For* yet again Wall Street's prophets of gloom are warning that even the record high interest rates recorded in 1979 may prove no more than *ephemeral landmarks*.

Last year the commercial bank *prime lending rate went* from 11.75 per cent to 15¼ per cent, Fed funds from around 10⅝ per cent to over 15½ per cent (weekly average) and 30-year Treasury *bonds from* a yield of 9.5 per cent to a peak of 10¼ per cent in early November.

By the end of this month all these rates had eased—the prime was back to the 15-15½ *per cent range*, Fed funds around 13.30 per cent and 30-year Treasurys just over 10 per cent. So most economists on Wall Street believe that the *long* awaited peak in interest rates has now passed. Some even see money market rates falling swiftly, 3 or 4 percentage points, as recession spreads *from the housing and automobile markets*.

But both Dr. Kaufman and Dr. *Wojnilower, in a minority again*, challenge this view. Dr. Kaufman, when he released his assessment of the prospects for the financial markets next year, said that there is a "*fair chance*" that long-term government *yields* will rise further to the 11-11½ per cent range and that short interest rates could rise to over 16 per cent early in 1980.

Strong credit demands fuelled by inflation and by the stock building which accompanies a slowing economy and the possibility of further trouble for the *dollar are factors behind such* predictions.

Even for bond market participants who question whether those forecasts will be realised such predictions serve as a warning that volatile conditions probably lie ahead

Samurai out of favour

AFTER EMERGING strongly *as a source of* capital in 1977 and 1978 the yen foreign bond, or Samurai, market was undermined in 1979 by two factors. These were the weakness of the *yen and the huge volume of* domestic government bonds which the Japanese securities business had to float on unrealistic terms and in an environment of *rising interest* rates.

Both investors and borrowers were discouraged from tapping *this market* in 1979 by the weakness of the yen. This may seem paradoxical, but it indicates an underlying belief on the part of borrowers that the yen remains *a strong currency, overlayed by* the fears of investors that the yen is, in the short term, very vulnerable to the oil price.

The most probable outlook for 1980 is that *conditions* in the yen bond market will improve, as they have already shown signs of doing towards the end of 1979. The yen is now a currency *looking for an excuse to rise* to more realistic levels against the dollar and if this happens, and U.S. interest rate stabilise, the outlook for lower interest rates *in Japan should be* strengthened.

This will not, however, remove official impediments to the Samurai market. The Govern*ment's enthusiasm for capital* exports via Samurai bonds has waned considerably with Japan's plunge into current account deficit, and this deficit will be *large in 1980. Nor does there* appear to be any prospect of a let-up in the Government's appetite for bond issues.

Total issue volume (excluding placements)—$1.49bn.

Top three Lead Managers:			Start of Year	End of Year
1. *Nomura Secs.*	*($970m)*			
2. Daiwa Secs.	($462m)	AAA yields	6¼	8
3. Yamaichi Secs.	($156m)	Eurocurrency rates (6 mnth.)	1¼	8¼

D-Mark issues fall back

THE DEUTSCHE MARK sector *of the bond market* can look back on a good year but not an outstanding one. The trials and tribulations of the U.S. dollar might have been expected to *lead to an increase* in the volume of new D-Mark bond issues but such was not to be the case: only $8.7bn worth were floated, DM 200m less than in *1978*.

This figure does not tell the whole *story insofar as* it does not include private placements of DM 20m and less. On this score alone South Africa is estimated to have raised between DM 300-400m last year and many other borrowers did the same.

Furthermore, the U.S. issued DM 2m worth of securities in the German domestic market to prop up the dollar last November, *the second* tranche of which is expected later this month.

The volume of new issues varied a lot from month to month, from a figure of below DM 400m to one of DM 1.2bn. *The figures thus agreed upon* in the monthly meeting of the Capital Markets Sub-Committee *were not always a sure guide* to the actual volume of new issues as conditions changed sometimes very fast. Any serious weakness of the U.S. currency *led, as in past years*, to a rush into stronger currency paper, particularly D-Mark bonds. But during the second half of 1979, borrowers held back as *interest rates rose in* Germany thus pushing up the yields needed to attract investors to above 8 per cent, last November.

By early December, however, yields were again on a downward trend and numerous issues offering below 8 per cent were selling well.

Had it not been for the heavy increase in the sales of *Schuldscheine notes* to foreign residents, the volume of foreign Deutsche Mark bonds might have been higher. Still German bankers can look forward to 1980 in the full knowledge that currency diversification has now *become a widely practised game* and that they are bound, along *with the Swiss banks*, to be the main beneficiaries.

Total issue volume (excluding placements)—$2.44bn.

Top three Lead Managers:			Start of Year	End of Year
1. Deutsche Bank	($1,001m)			
2. WestLB	($749m)	AAA yields	6¼	7¾
3. *Dresdner Bank*	(520m)	Eurocurrency rates (6 mnth.)	3½	8¾

Swiss franc's higher yields

IN TERMS OF volume 1979 proved a record year for Switzerland's foreign bond market, both for public issues and for private placements. Turnover in listed bonds *has also been high* —and has been instrumental in the Zurich Stock Exchange reaching an all-time peak in securities trading.

Performance, *however, has* left much to be desired, with the secondary-market prices of most of the year's bonds today well below par.

The environment has changed radically during 1979 for foreign *borrowers and investors in* foreign bonds. In the early months, overall interest rates were at their lowest levels or years. This was at a time of high domestic liquidity when *restrictions* on non-resident investments in Swiss franc securities had only recently been lifted. In February, foreign Swiss franc issues were succeeding at coupons of at and around 3¼ per cent.

Then domestic and international interest rates shot up and, at the same time, the prospect of currency gains in the Swiss franc lessened considerably.

The new year is likely to see coupons at least as high and *probably higher*. The volume of borrowers could conceivably be down on 1979 levels, and with rising interest rates, there might well be a reduction in the mass of premature redemptions which was such a feature of the past *year*.

Total issue volume (excluding placements)—$3.01bn.

Top three Lead Managers:			Start of Year	End of Year
1. SBC	($1,028m)			
2. UBS	($711m)	AAA yields	3	5
3. Credit Suisse	($534m)	Eurocurrency rates (6 mnth.)	½	6½

Yen convertibles lose their gloss

A sharp depreciation of the yen against the dollar and other major currencies was an ample source of disillusionment for many investors in the Japanese convertible bond sector during 1979.

Nonetheless, Japanese corporate flotations of convertibles in dollars, Deutsche-marks and Swiss francs still accounted for most of the 9 per cent share estimated to have been taken by Japanese borrowers in the international bond markets last year.

A total of eight convertible Eurobonds in dollar form, totalling $340m, were issued by Japanese companies in 1979.

But overall *international* investors would have found it difficult to make a decent return on most Japanese convertibles last year, according to analysts.

The drop of the yen—down from a high of 175 to the dollar to around *250* at *one stage*—represented an erosion of the value of the underlying equity. It was this factor, rather than movements of common stock on the Tokyo market, which deterred investors over the year.

By the year-end prices of most recent outstanding dollar convertibles stood in the high 80s.

Around 10 Japanese convertibles were issued in the form of Deutsche-marks *during the* year, for such companies as Sharp, *Olympus* Optical and Tokyu Land. The weakness of the yen similarly penalised investors in DM convertibles.

In fact, the Swiss franc foreign bond market with its *low coupon* rates remained the major route for Japanese convertible flotations, particularly during the *latter part of the year* when the dollar bond market virtually closed down for part of the time.

As a result, no less than 15 Japanese convertibles in Swiss form were *floated in the final* three months of 1979, with most of the issues quickly locked away in the customer accounts of the major Swiss banks.

For the opening quarter of 1980, the dollar bond markets *should see only three Japanese* convertible offerings.

MICHELIN TIRES CANADA

The change in the labour laws

BY LYNDON WATKINS IN HALIFAX

THE PASSAGE on Friday of controversial changes to the Nova Scotia Trades Union Act has cleared the way for an early start of construction by Michelin Tires Canada of a third production plant in the Province.

The new Law requires workers employed by a company with separate, but inter-dependent production facilities in the Province to be represented by one union and a single bargaining unit. Certification must be sought simultaneously and receive majority acceptance from the work force. A retroactive clause effectively nullifies votes already cast, but still uncounted, in an earlier attempt by the United Rubber Workers of America to organise Michelin employees at its Granton, NS plant.

Enactment of the changes was not stated, but appeared to be an implicit condition of the company's decision to build a third plant in Nova Scotia, an investment estimated at $150m, involving about 1m sq ft of production space.

While the 1,800 new jobs involved will go a considerable way to reduce Nova Scotia's current 10.3 per cent unemployment rate, the conditions attached to them brought unusually stiff resistance both from the Nova Scotia Federation of Labour and Opposition Parties in the Provincial Legislature.

The bill was called repressive and evoked a lengthy Opposition filibuster as well as a big Press campaign by unionists, Civil Rights advocates and academics. It was the third time that successive Nova Scotia Governments had passed what was seen as labour legislation favouring Michelin.

Having failed to prevent Premier John Buchanan's Conservatives from forcing through the bill, the Union Federation says it will now proceed with other action, possibly a general strike. It would be unlikely, however, to persuade a majority of workers to support such action. Mr. Buchanan says the changes were necessary to provide stability in Provincial labour management relations. But, as Nova Scotia has had an enviable record of labour stability, this has not been generally accepted. On the contrary, the Government's action has led to a serious breakdown in long established mechanisms for avoiding conflict.

The Labour Federation has withdrawn from the body which scrutinises all intended legislative changes affecting industrial relations and it says it will not sit on other Government boards.

Construction of the third plant, intended for Waterville in the Annapolis Valley, is bound to face union picketing and there has already been a bomb threat made against Mr. Buchanan and his family—although it is not known whether the threat was related to the Bill's passage.

The Government introduced the changes when the United Rubber Workers seemed to be making some progress in an almost ten-year battle to gain certification as the representative of labour in at least one of the Michelin plants. Having previously lost two votes, a third was taken at the Granton plant in November. Because of the bill, it will not now be counted. The company denies it is anti-union and few of its workers complain about pay or working conditions.

But in resisting organising attempts and in selecting plant locations in conservative areas of the Province, Michelin has shown an obvious desire not to have its workers belong to a union, particularly the URW.

It chose Nova Scotia as the launching pad for its sortie with a first plant opened in 1972. It now employs 3,600 Nova Scotians and has four plants in the United States, either in production or under construction. Two more are planned there.

In Nova Scotia, it makes both passenger car and off highway tyres and exports extensively, although its U.S. sales from Canada are subject to countervailing duty, imposed because of the $95.2m it has so far accepted in grants and loans from the Provincial and Federal Governments.

Further Government assistance will be available for the third plant, but no formal request has yet been received.

Scrip issue at Bahrain Bank

By Our Bahrain Correspondent

THE National Bank of Bahrain has announced a one-for-one share scrip issue, the third in the space of three years.

This will double the existing paid-up capital to BD 8m ($21m). At the same time, the Board of directors decided to double the authorised capital to BD 10m ($26m). Total capital and reserves by the end of the year will be in excess of $42m.

It was also proposed that the dividend should be calculated as a percentage of the bank's profits, and the Board's recommendation for 1979 will be 15 per cent of the net profit.

The change is expected to be of considerable benefit to shareholders in what promises to be a record year.

Italsider loss continues

BY PAUL BETTS IN ROME

ITALSIDER the main operating company of the Italian State steel holding group, Finsider, lost L205.2bn in the first nine months of 1979, the Board reported at a meeting in Genoa.

Originally, Italsider, which lost L348.5bn in 1978, hoped to contain its losses in 1979 to about L150bn.

But apart from the general problems of the world steel industry, the Italsider Board said the deterioration of the company's financial position was largely due to its continuing heavy burden of debt interest and to labour unrest at its main plant.

It said that production had been severely disrupted by strikes in 1979 and claimed that Italsider lost some 750,000 tonnes of steel production during the year as a result of labour problems. Italsider steel production in 1978 totalled more than 10m tonnes.

The company, whose capital is currently L1,179bn, is now seeking a further injection of funds.

It is now also expecting to be granted EEC aid for the recovery programme of its Bagnoli steel plant near Naples. This plant—one of the oldest steel complexes in Italy—currently employing some 8,000 people — has represented in recent years Italsider's biggest liability.

But, in view of the social and political repercussions the closure of the plant would have in an area of heavy unemployment, Italsider has been forced to keep Bagnoli going.

Price rises at IBM

By Stewart Fleming in New York

INTERNATIONAL BUSINESS Machines, which sharply cut the cost of computing power when it brought out its new 4300 series of computers at the beginning of the year, has now announced across-the-board increases ranging from 5-20 per cent in the price of its computers, computer software and word processing equipment. The company has also increased maintenance charges, a move which has been interpreted as further evidence of a trend towards making maintenance a stronger profit centre at the company.

Historically, improved technology has steadily reduced computer costs in recent years.

CURRENCIES, MONEY AND GOLD

A decade of changing fortunes

BY COLIN MILLHAM

After a decade in which sterling has weakened dramatically against most of the currencies of Britain's EEC partners, the last year has seen a period of stabilisation, and much the same can be said for the Italian lire. The dollar has shown a similar picture, falling sharply against the D-mark and Swiss franc, while the Japanese yen, after years of steady appreciation, has lost ground over the last few months as the problems of world energy supplies have weighed heavily on the yen.

The pound was worth $2.3987½ 10 years ago, and still commands $2.2345, thanks to the decline of the dollar and the increasing value of North Sea oil, but during this period sterling hit an all time low of $1.55 in October, 1976. A year ago the pound stood at $2.0415.

Over the last year the pound has risen to DM3.8525 against the D-mark from DM3.7150, but over the decade has fallen from DM8.8512½. In terms of the French franc, sterling has improved to FFr8.9550 from FFr8.60 in the last year, but 10 years ago stood at FFr13.35. On the other hand one pound will now buy 1,797 lire compared with 1,506.75 at the end of 1969. Like sterling the Italian currency has shown a much firmer trend during the last year after a decade of decline.

Against the Swiss franc the pound has fallen to SwFr3.5575 from SwFr10.3625 during the ten years, but has improved from SwFr3.3050 a year ago.

The yen's performance can best be illustrated in terms of the dollar. One unit of U.S. currency would have bought Y357.50 in December 1969, but only Y175.70 in December, 1978. During this year the dollar recovered to Y251.50 at one stage, and closed at Y240.25.

As a further sign of the times it may be remembered that one ounce of gold was worth $35 at the end of 1969, and finishes 1979 at $510. The metal only reached the $250 level in February this year, while its recent very sharp rise reflects a general distrust of paper currency and fears about the world's major economies.

Sterling is not the only currency to weaken during the last decade, several others faced with burgeoning inflation have fared much worse including many Commonwealth currencies. The pound has risen to 2.237 New Zealand dollars from NZ$2.1429½ ten years earlier, and over the same period has fallen only slightly against the Australian dollar.

Iceland and Israel, with similar inflation rates to South America, have seen their currencies lose value in an alarming way. Sterling has risen to 865 from 208 against the Icelandic krona and to 76.10 from 8.40 in terms of the Israeli pound, over the last ten years.

GOLD

	December 28	December 27
Gold Bullion (fine ounce)		
Close	[illegible]	[illegible]
Opening	[illegible]	[illegible]
Morning fixing	[illegible]	[illegible]
Afternoon fixing	[illegible]	[illegible]
Gold Coins		
Krugerrand	[illegible]	[illegible]
Mapleleaf	[illegible]	[illegible]
New Sovereigns	[illegible]	[illegible]
King Sovs	[illegible]	[illegible]
Victoria Sovs	[illegible]	[illegible]
Fr 20 Napoleon	[illegible]	[illegible]
50 pesos Mexico	[illegible]	[illegible]
100 Cor. Austria	[illegible]	[illegible]
$20 Eagles	[illegible]	[illegible]
$10 Eagles	[illegible]	[illegible]
$5 Eagles	[illegible]	[illegible]

OTHER MARKETS

Dec. 28	£	$		Note Rates
Argentina Peso	[illegible]	[illegible]	Austria	[illegible]
Australia Dollar	[illegible]	[illegible]	Belgium	[illegible]
Brazil Cruzeiro	[illegible]	[illegible]	Denmark	[illegible]
Finland Markka	[illegible]	[illegible]	France	[illegible]
Greek Drachma	[illegible]	[illegible]	Germany	[illegible]
Hong Kong Dollar	[illegible]	[illegible]	Italy	[illegible]
Iran Rial	[illegible]	[illegible]	Japan	[illegible]
Kuwait Dinar (KD)	[illegible]	[illegible]	Netherlands	[illegible]
Luxembourg Frc	[illegible]	[illegible]	Norway	[illegible]
Malaysia Dollar	[illegible]	[illegible]	Portugal	[illegible]
New Zealand Dlr.	[illegible]	[illegible]	Spain	[illegible]
Saudi Arab. Riyal	[illegible]	[illegible]	Switzerland	[illegible]
Singapore Dollar	[illegible]	[illegible]	United States	[illegible]
Sth. African Rand	[illegible]	[illegible]	Yugoslavia	[illegible]

Rate given for Argentina is free rate.

THE DOLLAR SPOT AND FORWARD

Dec. 28	Day's Spread	Close	One month	% p.a.	Three months	% p.a.
UK†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

THE POUND SPOT AND FORWARD

Dec. 28	Day's Spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Six-month forward dollar 2.16-2.10c pm, 12-month 4.15-4.00c pm. Belgian rate is for convertible francs. Financial franc [illegible].

EURO-CURRENCY INTEREST RATES

The following nominal rates were quoted for London dollar certificates of deposit: one month 14.35-14.45 per cent; three months 14.30-14.40 per cent; six months 14.10-14.20 per cent; one year 12.80-12.90 per cent.

Dec. 28	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
Short term	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days' notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long-term Eurodollar two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal closing rates. Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two-day call for guilders and Swiss francs. Asian rates are closing rates in Singapore.

LONDON MONEY RATES

Dec. 28 1979	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 days notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days or	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nine months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Local authorities and finance houses seven days' notice others seven days fixed. [illegible] Treasury Bills: Average tender rates of discount 16.8421 per cent.

CURRENCY RATES

Dec. 28	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	[illegible]	[illegible]	[illegible]
U.S. $	[illegible]	[illegible]	[illegible]
Canadian $	[illegible]	[illegible]	[illegible]
Austria Sch	[illegible]	[illegible]	[illegible]
Belgian F	[illegible]	[illegible]	[illegible]
Danish K	[illegible]	[illegible]	[illegible]
D mark	[illegible]	[illegible]	[illegible]
Guilder	[illegible]	[illegible]	[illegible]
French Fr	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]
Norwgn. Kr	[illegible]	[illegible]	[illegible]
Spanish Pta	[illegible]	[illegible]	[illegible]
Swedish Kr	[illegible]	[illegible]	[illegible]
Swiss Fr	[illegible]	[illegible]	[illegible]

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent shown in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
Alexanders Discount	Jan. 22	Final 11.501	Lonrho	Jan. 31	Final 4.25
*Associated Dairies	Jan. 30	Int. due	*McCorquodale	Jan. 9	Final 10.12
BAT Inds.	Jan. 30	Int. 4.84	*Rank Org.	Jan. 24	Final 4.89
Bank Leumi (UK)	Jan. 25	Final 5.52	*Raybeck	Jan. 18	Int. 1.131
Brown (J.)	Jan. 26	Int. 7.0	Samuel (H.)	Jan. 8	Int. 0.825
Butterfield-Harvey	Jan. 11	Int. 1.3	*Sotheby Parke Bernet	Jan. 10	Final 6
Davy Crpn.	Jan. 23	Int. 2.0	*Stead and Simpson	Jan. 8	Int. 0.7
Decca	Jan. 30	Int. 3.3	*Stock Conversion	Jan. 16	Int. 1.34
*Eng. China Clays	Jan. 10	Final 2.043	Thorn Elec.	Jan. 12	Int. 3.6
*Fitch Lovell	Jan. 24	Int. 1.3	Throgmorton Trust	Jan. 25	Final 2.875
Guinness Peat	Feb. 2	Int. 2.25	Trusthouse Forte	Feb. 1	Final 7.78
Hardy (Furnishers)	Feb. 2	Int. nil	*Union Discount	Jan. 23	Final 11.282
Hickson and Welch	Jan. 11	Final 2.532	Ward (T. W.)	Jan. 2	Final 3.085
Hogg Robinson	Jan. 8	Int. 4.03	*Westland Aircraft	Jan. 9	Final 1.0
*Inchcape	Jan. 24	Int. 6.5			
Kenning Motor	Jan. 11	Final 2.88			

* Board meeting intimated. † Rights issue since made. ‡ Tax free § Scrip issue since made. ¶ Forecast.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Knowsley (051 548 6555)	14¼	½-year	1,000	1
Redbridge (01-478 3020)	14	½-year	200	2-3
Wrekin (0952 505051)	15¼	maturity	5,000	3 mths.

Public Works Loan Board rates

Effective from December 15

Years	Quota loans repaid by EPI†	Quota loans repaid A‡	Quota loans repaid at maturity§	Non-quota loans A* repaid by EPI†	Non-quota loans A* repaid A‡	Non-quota loans A* repaid at maturity§
Up to 5	16½	16½	16½	16¾	16¾	16¾
Over 5, up to 10	16½	16¼	15⅞	16¾	16½	16¼
Over 10, up to 15	15⅞	15¾	15⅝	16⅜	16¼	15⅞
Over 15, up to 25	15½	15⅜	15½	16	15¾	15¾
Over 25	15⅜	15½	15½	15⅝	15⅝	15⅝

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

INSURANCE BASE RATES

† Property Growth	13¼%
† Vanbrugh Guaranteed	14.5%

† Address shown under Insurance and Property Table.

BASE LENDING RATES

Bank	Rate	Bank	Rate
A.B.N. Bank	17 %	■ Hambros Bank	17 %
Allied Irish Bank	17 %	■ Hill Samuel	§17 %
Amro Bank	17 %	C. Hoare & Co.	†17 %
American Express Bk.	17 %	Julian S. Hodge	18 %
A P Bank Ltd.	17 %	Hongkong & Shanghai	17 %
Henry Ansbacher	17 %	Industrial Bk. of Scot.	17½%
■ Arbuthnot Latham	17 %	Keyser Ullmann	17 %
Associates Cap. Corp.	17 %	Knowsley & Co. Ltd.	18½%
Banco de Bilbao	17 %	Lloyds Bank	17 %
Bank of Credit & Cmce.	17 %	London Mercantile	17 %
Bank of Cyprus	17 %	Edward Manson & Co.	18 %
Bank of N.S.W.	17 %	Midland Bank	17 %
Banque Belge Ltd.	17 %	■ Samuel Montagu	17 %
Banque du Rhone et de la Tamise S.A.	17½%	■ Morgan Grenfell	17 %
Barclays Bank	17 %	National Westminster	17 %
Bremar Holdings Ltd.	18 %	Norwich General Trust	17 %
Brit. Bank of Mid. East	17 %	P. S. Refson & Co.	17 %
■ Brown Shipley	17 %	Rossminster	17 %
Canada Perm't Trust	17 %	Ryl. Bk. Canada (Ldn.)	17 %
Cayzer Ltd.	17 %	Schlesinger Limited	17 %
Cedar Holdings	17 %	E. S. Schwab	17 %
■ Charterhouse Japhet	17 %	Security Trust Co. Ltd.	18 %
Choulartons	17 %	Shenley Trust	19 %
C. E. Coates	17 %	Standard Chartered	17 %
Consolidated Credits	17 %	Trade Dev. Bank	17 %
Co-operative Bank	*17 %	Trustee Savings Bank	17 %
Corinthian Secs.	17 %	Twentieth Century Bk.	17 %
The Cyprus Popular Bk.	17 %	United Bank of Kuwait	17 %
Duncan Lawrie	17 %	Whiteaway Laidlaw	17½%
Eagil Trust	17 %	Williams & Glyn's	17 %
E. T. Trust Limited	17 %	Yorkshire Bank	17 %
First Nat. Fin. Corp.	18½%		
First Nat. Secs. Ltd.	18 %		
Robert Fraser	18 %		
■ Antony Gibbs	17 %		
Greyhound Guaranty	17 %		
Grindlays Bank	‡17 %		
■ Guinness Mahon	17 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 15%, 1-month deposits 15¼%.
† 7-day deposits on sums of £10,000 and under 15%, up to £25,000 15¼% and over £25,000 15½%.
‡ Call deposits over £1,000 15%.
§ Demand deposits 15%.

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1979 High	1979 Low	Stock	Closing Price p	+ or –	Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1979 High	1979 Low	Stock	Closing Price £	+ or –
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1979 High	1979 Low	Stock	Closing Price p	+ or –
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. [illegible]

LOMBARD

Some New Year resolutions

BY SAMUEL BRITTAN

For the Queen. First, to make Windsor Castle available every week-end for President Valery Giscard d'Estaing for a running State visit to continue until the British budgetary contribution to the EEC has been settled. Secondly, to make the Shooting Lodge at Balmoral available to the German Agriculture Minister, Herr Josef Ertl for a similar period.

For the French President. To accept the above invitation if offered.

For Herr Ertl. Ditto. Also to transfer the cost of supporting marginal Alpine farmers to the tourist budget. If this had been done with King Ludwig II's expenditure on his castles, there would have been no need to depose that ill-used monarch, whose hard-headed commercial sanity would then have been apparent to all. Moreover he might have built still more castles, increasing further the tourist earnings of rural Bavaria and thus preventing the EEC budget issue from arising.

For President Carter. To remember that there are worse things under Heaven than excessive oil company profits—one example being the current state of the American energy market; another being the power and influence thereby handed over in the Middle East to "madmen in authority, who hear voices in the air." (The quotation is from Keynes written many years before the Ayatollah Khomeini was ever heard of.)

Foreign Office

For Mrs. Thatcher. First, to take less notice of the Foreign Office, whose advice is not merely often bad, but not even so reliably and consistently bad that she can safely do the opposite. (The Gilmour Mission to the EEC on the budget question suggests that this resolution was broken even before it was suggested.) Secondly, to remember the difference between a healthily working market economy and the more vociferously expressed short-term self-interest of a section of the middle class. (Relevant issues include tax concessions on mortgages, pension schemes and insurance policies, as well as the concentration on the basic rate of income tax which is not a good measure of anything at all.)

For Sir Geoffrey Howe. Next time he is contemplating a speech on wage restraint to have some research done to find out if that speech could have been made by any post-war Chancellor from Cripps onwards. Subtle differences in wording which cannot be detected more than a hundred yards away from No. 11 Downing Street are not to count. If the speech fails to pass this test, he should not attempt to re-write it but instead limit himself to stating what the Government is doing, may do, or will do and why it is, may or will be doing it.

For Sir Keith Joseph. To spend an early weekend writing the speech he would have delivered, to the embarrassment of some of his colleagues, were he still in opposition and the recent aid package to British Leyland had been announced by Mr. Eric Varley for a Labour Government. Having drafted the speech he should deliver the substance of it; and having delivered it he should act upon it. If this seems a reversal of what he has just done in the Old Year, this will not be the first time that a senior Minister has reversed earlier action. Nor will it be the last.

For Sir Michael Edwardes. To read the standard constitutional works on referenda, their use and abuse.

For Professor Terry Burns, the new chief government Economic Adviser. To beware of "the discreet embrace of the bourgeoisie" especially the knighted Treasury variety.

For Myself. To avoid using the word "monetarist." The meaning can usually be expressed more accurately by words such as "market economics." Unscrupulous politicians and journalists have succeeded in transforming a technical term into a hate word meaning something like sadistic, nasty-minded, glorying in unemployment, or simply being wedded to a horrible and unworkable dogma, the nature of which the denigrator does not bother to reveal. But like all New Year resolutions this will be difficult to observe.

CORAL INDEX: Close 415-420 (+5)

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OFFSHORE & OVERSEAS—contd.

[illegible]

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Prices on Dec. 27. Next dealing Jan. 3.

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American Turnaround	51.4	54.6	.....	2.00
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(Accum. Units)	48.2	51.2	.....	5.30
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*Unauth. Restricted to monies under Court control.

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Continued on previous page

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20J	20D	Do. 14pc '83	95½	19.11	14.65	15.52
31M	30S	ICFC 5½pc Deb. '80-82	81	30.9	6.93	14.60
31M	30N	Do. 6¾pc Db. '81-84	72	22.10	8.74	14.50
11Ja	11J	Do. 10½pc Uns. Ln. '86	80½xd	10.12	13.04	15.60
11Ja	11J	Do. 11pc Uns. Ln. '88	80xd	10.12	13.75	14.90
11Ja	11J	Do. 11¾pc Uns. Ln. '90	81¾xd	10.12	14.37	15.40
30J	31D	Do. 7¾pc A Deb. '89-92	56½	19.11	12.90	15.10
31M	30S	Do. 7¾pc A Db. '91-94	56½	30.9	13.32	15.00
31M	30S	Do. 9pc 'A' '91-94	67	30.9	14.44	15.05
28F	31A	Do. 8¾pc Ln. '92-97	65½	16.7	14.37	15.00
—		Do. 12¾pc. Uns. Ln. 1992	89	13.8	14.49	—

FOREIGN BONDS & RAILS

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CANADIANS

BANKS AND HIRE PURCHASE

Feb.	Sept.	Com'l Aus. ($A1)	127	8.10	Q18c	3.0	7.2	4.6
	May	Cow'zbk DM 10	950	5.77	Q26.4%	—	7.5	—
	March	C'hgn. Hbk. Kr100	£10	13.3	Q12%	—	11.7	—
July	Oct.	Corinthian 10p	27	24.9	†1.05	5.9	5.6	3.1
	May	Cred. France F75	£19¾	5.77	Q9.87%	—	3.3	—
Jan.	Apr.	Dawes (G. R.)	9	18.10	—	—	—	—
May	Nov.	Deutsche Bank DM50	£67½	17.5	Q18.12%	—	5.4	—
—		F. C. Finance	62	8.10	2.2	4.9	5.1	5.7
—		First Nat. 10p	10¼	9.74	—	—	—	0.7
—		Do. Wrrts. 75-83	2¾	—	—	—	—	—
June	Dec.	Gerrard Natnl.	210	22.10	†9.12	—	6.2	—
May	Nov.	Gibbs (A.)	72	24.9	2.2	—	4.4	—
Mar.	Aug.	Gillett Bros. £1	196	30.7	†16.95	—	12.4	—

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CENTRAL AFRICAN

Dividends Paid	Stock	Price	Last £	Div Net	C'vr	Yld Gr's
Nov. May	Falcon Rh.50c	510	24.9	Q100c	ϕ	13.5
May	Rhod'n Corp. 16½p.	47	25.4	0.56	6.5	1.7
—	Roan Cons. K4	210	24.9	Q0.125	ϕ	3.6
Nov. May	Wankie Col. Rh.1	61	22.10	Q9c	1.5	10.2
—	Zam.Cpr.SBD0.24	35	11.79	—	—	—

AUSTRALIAN

TINS

COPPER

—	Messina R0.50	125m	28.12	Q10c	ϕ	4.6

MISCELLANEOUS

—	Barymin	57	—	—	—	—
—	Burma Mines 17½p	12	575	—	—	—
Aug. Feb.	Cons. Murch. 10c.	310xd	23.12	Q100c	ϕ	18.5
—	Northgate C$1	415	30.9	—	—	—
Jan. July	R.T.Z.	326	5.11	†11.5	3.4	5.0
—	Robert Mines	13	—	—	—	—
—	Sabina Inds. C$1	28	—	—	—	—
—	Tara Expln. $1	470	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distributions and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ‖ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ◆ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ☆ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1979-80. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xC ex capital distribution.

"Recent Issues" and "Rights" Page 16

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FINANCE

DIAMOND AND PLATINUM

FINANCIAL TIMES

Monday December 31 1979

Boyd sees danger in picketing proposals

By Alan Pike, Labour Correspondent

PROPOSALS to restrict picketing could mean "the virtual demise of democratic trade unionism," said Sir John Boyd, general secretary of the Amalgamated Union of Engineering Workers. He was attacking the Government's Employment Bill yesterday.

If the Government's proposals became law they could become "the instrument turning honest workers into lawbreakers," said Sir John, one of the leading moderates on the TUC general council.

Political ego

At one stage, Sir John implied a similarity between the controls on trade union activity envisaged in the Employment Bill and the "abhorrent evils" of Communist-controlled countries.

If only the present Cabinet had a "little less political ego and a little more political vision" it would recognise the error of its ways. Britain was not only industrially developed but had a democratic structure which was the envy of the world.

Sir John, writing in the AUEW journal, said that limiting picketing to a person's place of work could lead to employers transferring production elsewhere during a strike.

"This means that any employer can bleed any union to death and workers on strike can remain so for ever, with the employer sitting back and laughing at them." Trade unions would beim potent.

Exemptions

Similarly, the intention to widen exemption from union membership to cover workers with deeply held personal conviction would open the floodgates to "all sorts of eccentric opportunists and crackpots to develop these convictions."

"So, without analysing the proposals any further, unions will either lose their usefulness and wither away, or be financially bled to death, or both."

The comments by Sir John, who concluded by warning the Government to "be careful, not sorry," illustrates the difficult task which Ministers face in convincing trade unionists that the proposals in the Employment Bill are of a comparatively restrained, but necessary, nature.

U.S. ready to defend Pakistan's borders

BY OUR FOREIGN STAFF

THE U.S. is prepared to defend Pakistan's territorial integrity, if necessary with force, against any threat launched by the Soviet Union from its new Afghanistan base.

Dr. Zbigniew Brzezinski, President Carter's national security adviser, said on television that the reaffirmation to Pakistan was "an important statement" and that the U.S. was considering new means of backing it up.

The first move towards a co-ordinated Western response to the Soviet military invasion of Afghanistan takes place in London today following sharp criticism of the Soviet move from Western leaders, China and Afghanistan's Moslem neighbours, Iran and Pakistan.

Mr. Warren Christopher, U.S. Deputy Secretary of State, flew into London for talks at the Foreign Office with the deputy foreign ministers of Britain, Canada, France, West Germany and Italy. A special NATO council session in Brussels on Saturday expressed "strong concern at the gross interference in the internal affairs of Afghanistan."

President Carter said at the weekend that he was delaying his full response to the Soviet intervention until after consultations with America's five major allies.

He added that he had called on the Soviet Union to withdraw its troops and warned of "grave consequences" in U.S.-Soviet relations if all Soviet forces were not withdrawn.

The Soviet leader is understood to have responded, but details of his message were not released.

Pakistan has an estimated 350,000 Afghan refugees on its territory and expressed its "grave concern" about the latest Soviet intervention. But Pakistan's vulnerability to Soviet destabilisation moves is reflected in its overall cautious response.

Iranian spokesmen, however, described the Soviet actions as provocative to both Afghanistan and all the world's Moslems. They likened the Soviet action to U.S. intervention in Vietnam.

China has bitterly denounced Soviet involvement and accused the Soviet Union of direct military aggression.

From the UK Mrs. Margaret Thatcher, sent a letter to Mr. Brezhnev in which she declared herself profoundly disturbed at recent developments in Afghanistan and puzzled by the assertion that the Russian action was at the invitation of the Afghan government.

However, Dr. Brzezinski, insisted that the Strategic Arms Limitation agreement with the Soviet Union, now in front of the U.S. Senate, should be ratified over the longer term.

American-Soviet relations would be characterised by both competition and co-operation—and the SALT-II treaty should be seen as an essential ingredient of necessary co-operation.

Dr. Brzezinski estimated that there were probably now considerably more than 25,000 Soviet troops in Afghanistan.

He said: "There are certain explicit limits to unilateral action" of the type taken by the Soviet Union.

"We believe it is very important for all concerned to realise that the security of independent countries in the region is not a matter of indifference to us nor to the international community."

Kuwait crude up by 19%

FINANCIAL TIMES REPORTER

KUWAIT yesterday announced a 19 per cent oil price increase, retroactive to November 1, bringing the rate for its main crude variety to $25.50.

The rise brings Kuwait into line with Iraq, Abu Dhabi and Qatar in the Gulf. With Venezuela and Indonesia, they form the middle rank of the Organisation of Petroleum Exporting Countries in what is effectively a three-tier system.

The price set for Kuwait's heavy and somewhat sulphurous 31 degree Murban crude assumes a national basic reference of $26. This compares with the $24 a barrel set by Saudi Arabia for its Arabian Light, the traditional "market."

Non-OPEC Oman, with a relatively insignificant output, has raised the price for its 36 degree crude by 16.5 per cent to $28.20 a barrel, according to the Saudi Press Agency. This places it among those producers —Iran, Libya, Nigeria and Algeria—on the top tier.

For the first quarter of 1980, prices are expected to stay at the levels announced over the past two weeks. The weighted average is more than double what it was at the end of 1978, and 30 per cent above the third quarter rates.

A question mark remains over Saudi Arabia It is in the predicament that it found untenable after the leapfrogging increase of prices by other producers in October. Its lower price once again will mean a windfall profit of $2 a barrel, or some $15m a day, which will only partially be offset by new U.S. tax legislation, for its four partners in the Arabian American Oil Company—Exxon, Socal, Texaco and Mobil — which account for three-quarters of the kingdom's output.

This anomaly was a major factor in the Saudi Government's decision to raise its oil prices by $6 in advance of the OPEC conference in Caracas.

As yet, the Saudi Government has given no indication of what it intends.

Its action could have a crucial bearing on prices decided by North Sea oil producers. The $2-$4 rises considered for the beginning of 1980, on top of the present rates of $25.27-$26.27 a barrel, have left North Sea crudes under-priced compared with the $34 that Libya, Algeria and Nigeria are planning to charge.

Producer	Output Jan.-Oct. average* (millions of barrels a day)	Crude variety (API gravity)	Latest price	End 1978 price	Increase %
Saudi Arabia‡	9.198	Arabian Light 34	24.00	12.70	88
Iran	2.985	Iranian Light 34	28.50	12.81	122
Iraq	3.380	Kirkuk 36	26.18	12.88	103
		Basrah Medium 30	25.30	12.00	110
Kuwait‡	2.247	Burgan 31	25.50	12.22	108
Abu Dhabi	1.465	Murban 39	27.56	13.26	107
Qatar	0.500	Dukhan 40	27.23	13.19	106
Libya	2.059	Zuetina 40.5	34.00†	13.90	144

* Source: Petroleum Intelligence Weekly. ‡ Excluding Neutral Zone. † Yet to be officially confirmed.

Leaders set for economic battles

By Elinor Goodman, Lobby Staff

THE Prime Minister and the Leader of the Opposition yesterday staked out the lines of next year's political battles in their New Year messages. Mrs. Thatcher told the Conservative Party of further public spending cuts which will almost certainly result in reduced Government services. She called for realism and a new spirit of co-operation.

Mr. James Callaghan delivered a full-bloodied party political attack on every aspect of Government economic policy.

Accusing the Government of destroying large sections of British industry, he claimed that Tory ministers were acting like "18th century quacks who applied leeches to the patient's body to suck more of his blood even when he was dying from anaemia."

Mrs. Thatcher's theme is likely to become increasingly familiar in the next few months as the Government works on a cuts package which will reduce expenditure in real terms.

Ministers believe that there is now a wider recognition of the need for economies, but are still concerned that the public has not yet grasped the scale of the sacrifices necessary—particularly over pay.

Mrs. Thatcher said the time had come to put away the failures of the past decade. "But let us not forget their lesson, that illusions, however appealing, will not earn us our keep in the world."

Mrs. Thatcher is also expected to launch a campaign in the New Year against what she regards as apathy, and to hold out the prospect of Britain returning to prosperity in the long-term if only people will make the necessary sacrifices today.

Neither party leader referred to the steel dispute but in a radio interview yesterday, Mr. Callaghan stressed that the Opposition will use it as a vehicle for attacking the Government's entire economic policy and its reliance on monetarism in particular.

Mr. Callaghan is clearly hoping to be able to rally his party as the effects of Government policies work through to the public.

Labour MP are certainly incensed by the Government's behaviour but it seems unlikely that the warring in the Labour Party will diminish mucs over the next few months.

Yesterday, Mr. Callaghan angered some Left-wingers by suggesting that the only way out of the country's economic policies was some kind of incomes policy.

THE LEX COLUMN

Distorting mirror of inflation

For the man in the street the 1970s have been much better than they are usually painted: consumer spending per capita has continued to rise, albeit erratically, at a rate close to 2 per cent a year, as it did in the previous two decades. Growth of personal disposable income per head has in fact accelerated a little compared with the 1960s. But as the decade has progressed these economic achievements have been increasingly sustained out of the distortions which have flourished in an inflationary climate, and out of the windfall gains from North Sea oil. The consumer has been cushioned—but the investor has not.

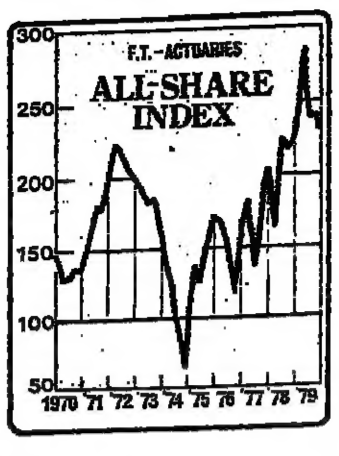
On this, the last day of the 1970s, the F.T.-Actuaries All-Share Index stands some 55 per cent above the level of 147.34 at which it began the decade. Yet inflation has amounted to some 230 per cent over the ten years, so in real terms it would appear that share prices stand at just under half their level at the start of 1970. At least the picture is not really so bad as might be suggested by the F.T.30-Share Index which for reasons of both composition and structure is unsuitable as a longer-term yardstick: it stood at 407.4 on December 31, 1969.

Rising yields

As for gilt-edged, the return on 2½ per cent Consols has risen over the decade from 8.7 per cent to the current 11.7 per cent, though this is an untypically low yield.

The inflationary pattern of the 1970s could not have been predicted from the financial stance of the Government 10 years ago. Mr. Roy Jenkins achieved that notable feat, a balanced Budget, and briefly turned the public sector borrowing requirement into a surplus. The incoming Tories in June 1970 continued the tight financial policies but only for a while; the U-turn was negotiated in 1971, in an attempt to transform Britain's lagging growth performance.

In the early years of the decade the equity market was still dominated by the great postwar growth phase. Equities had reached their peak in real terms in 1968, but just about returned to that level in 1972. Share prices were often very high in relation to underlying assets, which encouraged a spate of takeovers using overvalued paper as bid currency.



By 1973 there was something of a rush to get out of the more vulnerable financial areas and into something more solid—a phase which led to baffling mergers like those between Bowater and Ralli, and between P & O and Bovis.

The Conservatives' attempt to boost the economy by means of the monetary printing presses—sterling M3 rose by about 25 per cent both in 1972 and 1973—was doomed to failure. British industry did not seem to be able to discover corresponding investment opportunities, and indeed its overall real returns have slumped alarmingly during the decade.

The Bank of England has calculated that although the historical cost return on capital employed achieved by industrial and commercial companies has held up well, the real return declined from 10 per cent or so at the end of the 1960s to a low point of 3.7 per cent in 1975. There has since been a modest recovery—but the low could be tested again in 1980.

Speculation

Early in the decade the spare financial resources were funnelled into speculative assets, notably in property. After the 1974 crash it was left to the Government to dominate the long term capital market with an endless stream of gilt-edged issues. While industry complained it was being crowded out by this torrent of high coupon bonds, the Labour Government argued that a big public sector financial deficit was essential to prevent the economy relapsing into a still deeper recession.

At this stage a fundamental feature of the financial markets during the decade was beginning to gain wide atti tion: the increasing dominati of the stock market institutional investors. Priv investors have been stea sellers of equities, and m people have preferred to c centrate their attention on t housing market where posit real returns have been availab But contractual investment l been growing, partly because the spread of pension schem It is likely that some £8.5bn w be accumulated net by l assurance and pension funds 1979, a nearly sixfold rise in years, well outdistanc inflation.

There has been a paral growth in the flow of gilt-edg issues by the Governme especially as control of money supply has moved near the top of the priority l From nil at the beginning the decade, net sales of have swollen to an annual r of over £6bn in recent ye and were £7.6bn in just the f nine months of 1979.

National debt

In the City, the great su in gilt-edged activity brought the bond salesn from out of the dustier corn of stockbrokers' offices, and produced a new breed of economic pundit. Yet there h been strangely few to ar that fixed interest bonds inappropriate investments inflationary conditions.

The inability of a sophi cated economy either to ad to or eliminate inflation co well, in fact, prove a fascinat aspect of the 1970s for econo historians. At this stage, instance, we do not know much of the declining pro bility of companies is sim due to the failure of accounti to produce the right figu encouraging industrialists adopt the wrong policies. As the huge Government financ deficits, it is a curious fact market holdings of national d amounted to 65 per cent gross domestic product in Ma 1970, but in March 1979 to o about 48 per cent.

Rewritten in terms of r money, high savings ratios turn into improvidence, grow can become decline and h interest rates can be tra formed into cheap money. the end of the decade, the No Sea has helped to refill pockets, but it has not m us any the wiser.

Continued from Page 1

Steel

necessary to try and prevent road hauliers from moving larger amounts of steel than they normally do.

He is expected to have further talks with Mr. Sid Weighell, general secretary of the NUR, and other transport union officials in hte next few days.

Mr. Alex Kitson, deputy general secretary designate of the Transport and General Workers Union, representing the majority of dockers and lorry drivers, said yesteday that srome goups of these workers had already agreed to support the steelmen.

The steel unions and the TGWU would be in further discussions over the next week "as to how we can be most effective in giving them assistance," he said.

Mr. Gordon Sambrook, commercial director of BSC, told customers yesterday: "There is no need for people to think there will be an immediate steel famine."

He said that the unions had picked a bad time for a strike, with BSC producing 250,000 tonnes more than predicted in the past three months.

British Steel has already begun the long and difficult proces of running-down production

Egypt freezes $2bn. of Arab funds

BY ROGER MATTHEWS IN CAIRO

EGYPT HAS issued a military order freezing nearly $2bn of Arab deposits held at the Central Bank in Cairo.

Dr. Hamed El Sayeh, the Minister of the Economy, said in an interview published yesterday that the order had been made for national security reasons.

He claimed that the Egyptian action was taken because the agreements covering the special deposits "had been unilaterally abrogated" by the other Arab countries.

Saudi Arabia, Kuwait, Iraq and other Gulf States are taking the issue to a full board meeting of the International Monetary Fund on January 21, two days after the Fund is due to hear complaints from Iran over similar American action in freezing Iranian funds held in the U.S.

Dr. Sayeh said yesterday that Egypt had reached agreement with Saudi Arabia in the summer of 1978 that its special deposits should remain in Egypt for the next ten years. Kuwait is understood to have about $1bn on deposit, Saudi Arabia has over $900m, Iraq $30m and other Gulf countries smaller amounts.

The Minister said that the Arab countries had recalled the deposits as a result of decisions taken at the Arab summit meeting in Baghdad in November, 1978, and the subsequent Foreign Ministers' meeting last March which agreed on a political and economic boycott of Egypt for signing the peace treaty with Israel.

The Kuwait deposit of about $1bn, it is understood could technically be recalled at almost any time, while the Saudi money is believed to be on a fixed repayment period.

Iraq first approached the IMF last autumn after it had been refused repayment of its $30m but Egypt then invoked the "national security" clause, a device used by a debtor nation when it believes action aganst it is being instigated for political rather than economic or technical reasons.

Continued from Page 1

Rhodesia

"We will contest the election as a separate entity — as ZANU (PF)," Mr. Nkala said. "We will maintain the alliance, a loose alliance." He added that, if ZANU won the election, it would offer Mr. Nkomo the purely titular job of State President, and some ZAPU members would be given Cabinet posts.

The offer is likely to be regarded as derisory by ZAPU, and the announcement brought an immediate hostile response. "As far as we are concerned, ZANU cannot make the decision unilaterally unless they want to break away from the Patriotic Front," Mr. Cephas Msipa, ZAPU's senior executive member in Salisbury, said. A decision would be up to Mr. Nkomo and Mr. Mugabe at a planned meeting in Dar-es-Salaam.

The ZANU decision, which Mr. Nkala said was authorised by the party leaders in Maputo, underlines the continuing deep division between the parties, largely along tribal lines.

ZANU officials fear that an alliance with the largely Nbebele-oriented ZAPU would alienate their own overwhelingly Shona supporters at the polls.

Weather

UK TODAY

COLD northerly airstream covers British Isles

London, Cent. S. England, Midlands, N.W., Cent. N. England, S.W. Scotland

Mainly dry, sunny periods, frost early and late. Max. 4C (39F).

E., N.E. England, I. of Man, Argyll, N. Ireland, N. Wales

Sunny intervals, wintry showers especially near coasts. Frost inland early and late. Max. 4C (39F).

Channel Isles, S. Wales, S.W. England

Sunny periods, some scattered showers near north facing coasts. Max. 7C (45F).

Borders, Rest of Scotland, Orkney, Shetland

Cloudy, snow showers, drifting in places. Max. 4C (39F).

Outlook: Sunny intervals and snow showers chiefly in east. Cold with frost.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	C	13	55	Lisbon	C	13	55
Amsdm.	C	4	39	Locarno	S	3	37
Athens	S	15	59	London	C	4	39
Bahrain	S	17	63	Luxmbg.	C	0	32
Barclna.	C	12	54	Madrid	C	9	48
Beirut	F	15	59	Majorca	R	13	55
Belfast	F	4	39	Malaga	S	17	63
Belgrd.	F	3	37	M'chstr	S	3	37
Berlin	C	2	36	Melbne.	S	39	102
Biarritz	C	9	48	Milan	F	0	32
Bmghm.	S	3	37	Mntreal.	C	0	32
Blackpl.	S	4	39	Moscow	C	−7	19
Bordx.	F	6	43	Munich	C	1	34
Boulgn.	F	3	37	Nairobi	S	24	76
Bristol	F	4	39	Naples	R	11	52
Brussels	C	3	37	Nwcstl.	S	2	36
Budpst.	F	−1	30	N. York	S	9	49
B. Aires	S	19	66	Nice	S	14	57
Cairo	C	17	62	Oporto	C	13	55
Cardiff	F	6	43	Oslo	C	−2	28
Cas'b'ca	S	17	63	Paris	F	6	43
Cape T.	S	28	81	Perth	C	30	86
Chicago	S	4	40	Prague	S	0	32
Cologne	C	4	39	Reykjvk.	S	−7	19
Cpnhgn.	C	3	37	Rhodes	C	16	61
Corfu	S	15	59	Rio J'o	S	32	90
Dublin	S	2	36	Rome	C	14	57
Dbrvnk.	R	8	46	Salzbrg.	C	0	32
Ednbgh.	F	2	36	Singapr.	S	31	88
Faro	S	16	61	Stckhm.	C	1	34
Florence	R	11	52	Strasbg.	Sl	2	36
Frankft.	Sl	3	37	Sydney	S	24	77
Funchal	S	18	64	Tangier	F	16	61
Geneva	F	3	37	Tehran	R	−1	30
Glasgow	S	5	41	Tel Aviv	S	15	59
G'nsey	C	6	43	Tenerife	F	16	61
Helsinki	Sn	−1	30	Tokyo	S	12	54
Innsbrk.	C	1	34	Toronto	C	4	40
Invrnss.	C	3	37	Valencia	S	12	54
Istanbul	R	9	48	Venice	F	4	39
Jersey	C	6	43	Vienna	C	1	34
Jo'burg	S	27	79	Warsaw	C	−2	28
L. Plms.	S	20	68	Zurich	F	3	37

C—Cloudy. F—Fair. Fg—Fog. R—Rain S—Sunny. Sl—Sleet. Sn—Snow.

Italy tackles energy problems

THE Italian Government introduced a package of emergency economic measures at the weekend, including increases in domestic fuel and petrol prices, telephone charges and electricity.

The package is largely designed to tackle the country's growing energy difficulties.

For the third time in barely six months, petrol prices were increased by 9 per cent with four-star petrol up by L55 to L655 a litre (equivalent to about £1.66 a gallon) as from yesterday.

Diesel and home fuel oil went up by L48 to L290 a litre (73p a gallon) yesterday while electricity charges will increase by an average of 18.4 per cent and telephone charges by an average of 15 per cent from tomorrow.

Sig. Antonio Bisaglia, the Industry Minister, said after a Cabinet meeting the current system of Government price controls on oil products would be gradually eased to enable Italy to compete effectively for scarce oil supplies next year.

He also warned that further increases in domestic energy prices would be likely later next year.

The Government hopes easing price controls and raising domestic fuel prices in line with other European countries will encourage major oil companies to supply more crude to the Italian market next year.

Italy at present faces a shortfall of about 25 per cent in its overall oil import requirements for 1980.

The minority administration of Sig. Francesco Cossiga also approved an energy-saving programme yesterday which envisages energy rationing measures during emergencies.

To compensate for the latest price rises, the Government has increased minimum pensions, and is to introduce a Bill to reform the country's chaotic pension system.

To soften the impact on industry, the Government is to reduce the burden of social welfare costs paid by industry to workers by an overall L2,000bn (£1.1bn) next year.

Moreover, after months of delays and controversy, the Government finally named, yesterday, the new chairmen of three of Italy's leading medium-term special state credit institutes.

The new chairman of IMI, Italy's largest special state credit institute, is Sig. Piero Schlesinger.

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